

JPRS 75219

28 February 1980

# China Report

ECONOMIC AFFAIRS

No. 46



FOREIGN BROADCAST INFORMATION SERVICE

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<b>REPORT DOCUMENTATION PAGE</b>		1. REPORT NO. JPRS 75219	2.	3. Recipient's Accession No.
4. Title and Subtitle CHINA REPORT: ECONOMIC AFFAIRS, No. 46			5. Report Date 28 February 1980	
7. Author(s)			6.	
9. Performing Organization Name and Address Joint Publications Research Service 1000 North Glebe Road Arlington, Virginia 22201			8. Performing Organization Rept. No.	
12. Sponsoring Organization Name and Address  As above			10. Project/Task/Work Unit No.	
			11. Contract(C) or Grant(G) No. (C) (G)	
15. Supplementary Notes			13. Type of Report & Period Covered	
			14.	
16. Abstract (Limit: 200 words)  This serial report contains economic information on China.				
17. Document Analysis a. Descriptors CHINA National Economic Policy Economic Planning Finance and Banking Fuels and Power Mineral Resources Heavy and Light Industry Capital Construction Domestic and Foreign Trade Transportation  b. Identifiers/Open-Ended Terms 05C, 13  c. COSATI Field/Group				
18. Availability Statement Unlimited Availability Sold by NTIS Springfield, Virginia 22161		19. Security Class (This Report) UNCLASSIFIED 20. Security Class (This Page) UNCLASSIFIED		21. No. of Pages 68 22. Price

**CHINA REPORT**  
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## NATIONAL ECONOMIC POLICY

### PRC ECONOMIC JOURNAL ON ECONOMIC RESTRUCTURING

HK050130 Beijing JINGJI GUANLI in Chinese No 11, 25 Nov 79 pp 12-17 HK

[Article by Liu Guoguang [0491 0948 0342]: "Views on Several Major Issues of Economic Restructuring"]

[Text] I wish to discuss my views on several fundamental issues of economic restructuring:

#### I. Concerning the Selection of a Model for the Economic Structure

In our economic restructuring, there are three relations to be resolved: The first is the relation between centralization and decentralization; the second is the relation between planning and the market, and the third is the relation between administrative and economic means.

I think these three relations are the key issues in restructuring. These three are interconnected. The process of economic restructuring in the Soviet Union, in various East Europe countries as well as that in our country are faced with problems in these three relations. In short, the existing problems of the economic structure in various countries are all centered around deficiencies in decentralization, the function of the market and the use of economic means. Economic restructuring is directed at solving these three problems.

Now we must study the following: How far can decentralization go without affecting the necessary centralization; to what extent can the function of market regulation be utilized without affecting the necessary planned regulation, and finally, how can economic means be made to coordinate with administrative means. This, in fact, involves the problem of which model we should use in economic restructuring. The choice of models is the prerequisite for fundamental changes. It determines the orientation of such changes. Both the program, procedures for the fundamental changes and the immediate minor changes should be in this orientation.

At present, there are a wide range of models for a socialist economic structure. Each model has its strong points in handling the relations between centralization and decentralization, planning and the market and administration and economic means. In addition to the highly centralized Soviet model which

emerged between the 1930's and the 1950's, generally speaking, there are two broad types: the first type still places greater emphasis on centralization and favors centralized planning and management by administrative means. Meanwhile, it also has appropriate expansion of enterprise self-determination and the strengthening of the relations between commodities and currency. The other type places more emphasis on decentralization and has a decentralized structure which coordinates planning and the market. The economy is mainly managed by economic means. In short, although the details may be different, they are more or less the same and we will have to choose between them. In choosing a model, I think anyone will do as long as it persists in socialist public ownership, insists on eliminating exploitation and is beneficial to economic development and the improvement of the people's living standards. It is not a problem of economic labels but one of suitability for the concrete historical conditions and economic development of a country at different periods. What kind of historical conditions exist now? What are the conditions of our economic development? What kind of economic models should be chosen? These are problems which should be studied and resolved before the proposal of any concrete program for reform. If we hurry into making any concrete reform program without first clarifying these issues, we may commit ourselves to tortuous paths.

## II. What Is the Crux of the Problem of Centralization and Decentralization?

Our national economic management system is basically taken from the Soviet Union during the early 1950's. The characteristic of this system is its lop-sided emphasis on centralized leadership. It gives no autonomy to the local authority or the enterprises. In the past, when studying the reform of the system, with regard to the problem of centralization and decentralization, we always confined our attention to the demarcation of power between central and local authorities. Since the management power of the central authority has to work through the various departments, that is, "the various systems," the relation between central and local authorities manifested itself as that between the systems and the local authority. As a result, all changes are confined to the demarcation of power between the systems and the local authorities. This has failed to fundamentally solve the problem. The cause of such a failure is that no matter how things are run by the system of the local authority, it is still management by administrative means according to administrative systems and procedures. It is not management by economic means according to the internal connections of the objective economy. If everything is run by the system, the connections between various trades will break down. If everything is run by the local authorities, the connections between different regions will break down. [HK050132] No matter whether it is management by the systems or the local authorities, it is all the same management by state organizations. It does not allow the enterprises to manage their own affairs or allow a say to the masses of workers and peasants laboring in these enterprises. Then, how can the enthusiasm of the enterprises and the masses be mobilized?

We are a large and populous country. The population of one of our provinces equals that of one or several European countries. The demarcation of power between central and local authorities should be handled properly to arouse



and develop the enthusiasm of various provinces, municipalities and localities. Because of the vastness of the country and the large population neither the central nor the local authorities are able to manage all aspects of the economic life. Furthermore, the problem currently under discussion is the management structure of the economic process itself. The economic process includes the production, distribution, exchange and consumption of social wealth. Primarily, the process itself does not work through the activities of the state organs; but rather, it works through the economic activities of hundreds of thousands of enterprises and millions of laborers. Therefore, the problem of centralization and decentralization within the management of this economic process should not be confined to the demarcation of authorities within the organs of state power. Rather, it is a problem of how to share the decisionmaking power over various economic activities among the state, the enterprises and the individual laborers. First of all, we should resolve the relations of authority and responsibilities between the state and the enterprises. This is precisely where the greatest defect of our existing economic management system lies and the crux to the problem of relations between centralization and decentralization. The core of these two problems is a failure to handle the relation between the state and the enterprises properly. The state takes over affairs which should be managed by the enterprises. As a result, the state is unable to manage well or handle everything. Loaded down with trivial details, the state is unable to concentrate its energy on overall planning, overall balance and the study of and policy making on principal strategic economic issues which should be under its management. Meanwhile, as basic units of social production, the enterprises have no power to realistically handle issues which should be handled by them such as production, supply, marketing and utilization of human, financial and material resources. This has seriously fettered the productive forces. This is an important factor for the slow long-term development of our national economy. Therefore, I think that to improve the relation between the central and local authorities in our economic restructuring, we should also stress the study and solution of relations between the state and the enterprises.

### III. Concerning the Theoretical Problem of Differentiating the Centralized Economy and Decentralized Economy

When talking about the relations between centralization and decentralization, there is the problem of differentiating between a centralized economy and a decentralized economy. In this respect, the theory put forward by the Polish economist (Bruce) is worth noting. He divided all economic activities into three categories: The first category is policymaking on macroeconomic activities. This includes issues such as the orientations of development, growth rate and changes in production structures of the whole national economy; the distribution between accumulation and consumption in the GNP; the criterion of price formulation; the prices of principal products and so forth. The second category is policymaking on the daily economic activities of the enterprises. This includes issues such as the choice and quantity of products; the choice of raw materials and sources of such materials; the market for products; renovation and small-scale investment; the method of paying wages; the composition of workers and so forth. The third category is policymaking on personal economic activities. This refers



primarily to the choice of jobs, the place of employment and the selection of consumer goods and buying of services. This economist believed that in a socialist system no matter whether it is a centralized economic system or a decentralized one the decisionmaking power over the first category of economic activities should belong to the central authority. In the third category of economic activities, with the exception of special conditions such as the period of military communism, the decisionmaking power should go to the individuals. Only decisions over the second category of economic activities, that is, the daily economic activities of the enterprises, should have two different forms of control. The first form is control by the state and the second one is control by the enterprises themselves. [HK050134] If the decisions over the daily activities of the enterprises are controlled by the state, then it is called a centralized system. If the decisions over the daily activities of the enterprises (production, supply, marketing, human, financial and material resources, and so forth) are controlled by the enterprises themselves, then it is called a decentralized system.

In this case, having the decisionmaking power over the daily economic activities of the enterprises is regarded as the key to differentiating the centralized system from the decentralized system. This is in line with the spirit of the recent discussion on the problem of economic structures which places the adjustment of relations between the state and the enterprises and the expansion of enterprise self-management as the key link of economic restructuring. Of course, advocating decentralization with a corresponding expansion of enterprise self-management does not mean abolishing the leadership of various national management organs over the enterprises. The problem lies in selecting the form of leadership. In a centralized system, the central authority or its subordinate central organs primarily use administrative orders as the means to carry out central planning in the form of directives from above. In a decentralized system, the leadership of the state over the economic activities of the enterprises is primarily exercised through indirect economic means. The state stipulates the criterion, regulations and scope of activities of the production units and uses these stipulations to guide the production units to advance in the direction assigned by national planning.

Taking into account the above analysis of the differentiation of a centralized system from a decentralized system, it can be seen that in our present economic restructuring, we must solve the problem of who has decisionmaking power over personal economic activities along with the problem of expanding enterprise self-management. Our supply and coupon systems for consumer goods have been in effect for over 30 years. It is impossible to abolish them now. In addition, our system of distribution of the labor force is under very rigid control and both the enterprises and the individuals have very little choice. What is needed by the enterprises is withheld while what is not needed is forced on them. What the individual wishes to do is not allowed while what he does not wish to do is forcibly assigned to him. How can this really promote the principle of distribution according to work, mobilize everyone's enthusiasm and tap everyone's ability to the fullest. Therefore, in the current economic restructuring, in addition to solving the problem of self-management of the enterprises' economic activities, I think we must also gradually create conditions for solving the problem of self-management of the individual economic activities of the laboring people.

#### IV. The Problem of Limits to the Self-management of Enterprises

At present, the expansion of enterprise self-management is the unanimous demand of the whole nation. What should be the limit to enterprise self-management in the socialist system? Our understanding and the practice of various countries are not the same. On this problem, Comrade Sun Yefang said that the simple reproduction of the magnitude of value of capital should be used as a theoretical boundary between the economic management power of the enterprises and the state: things within the scope of simple reproduction of the output value of capital should be managed by the enterprises. Things within the scope of enlarged reproduction of the output value of capital should be managed by the state. According to Comrade Sun Yefang's proposal, the basic depreciation fund is to remain with the enterprises in full. Within the scope of the output value of capital assigned by the state, the enterprises can freely make technological innovations and carry out the enlarged reproduction of the output of materials in kind. Production, supply and marketing within this scope are to be resolved entirely by the enterprises themselves according to mutual contracts. The state should not interfere. The state plans are to be formulated from below upon the foundation of production, supply and marketing contracts of the enterprises and the planning of the enterprises. However, the power over the enlarged reproduction of the output value of capital, namely, the power over new investments, should be controlled by the state. This proposal is theoretically concise and easy to carry out. However, can the simple reproduction of the output value of capital be used as a lever to demarcate the power of the enterprises and that of the state? Comrade Sun Yefang proposed such an idea himself. However, he did not realize that the lever of simple reproduction had in fact been in use since the 1950's in Yugoslavia. [HK050136] At that time, the self-management of enterprises in Yugoslavia was still confined to leaving the basic depreciation fund with the enterprises and allowing the enterprises to manage their own production, supply and marketing within the scope of simple reproduction. Meanwhile, the power of investment of enlarged reproduction remained in the hands of the state. However, in the 1960's, Yugoslavia further expanded the power of the enterprises by transferring a large proportion of the power of investment of enlarged reproduction to the enterprises and the banks. The state only managed the most crucial key items. Finally, even the construction of the key items was transferred to the lower level economic organizations for consultations and pooling of resources to solve problems. The state generally did not make any more investments. The economic restructure in Hungary was not so far-reaching. Although the capital for key items of new investment was provided by the banks, the decisionmaking power was still in the hands of the state. However, in the investment for enlarged reproduction, the enterprises have considerable power to draw production development funds from profits and solicit loans from the banks. Romania also has economic development funds. Enterprises (and industrial centers) have the right to determine the investment on enlarged reproduction under a given quota. It seems that to confine the self-management of the enterprises to the simple reproduction of capital and the transfer downward of the basic depreciation fund without expanding the power of enlarged reproduction is harmful to the initiatives

of the enterprises in technological innovation, reform and meeting the changing needs of the market. Then, where should we put the limit to the self-management of enterprises? Many comrades proposed that it should be the shouldering of sole responsibility of profit and loss and the self-management of finances. However, such a proposal is purely from the perspective of financial capital and not an overall line of demarcation. I wonder whether we can draw our inspiration from the differentiation of macroeconomic activities and microeconomic activities. We can use it as a boundary to delineate the economic power of the state and the enterprises. Important macroeconomic problems involving the orientation, speed and structural changes of the whole national economy should be managed by the state. Only the microeconomic activities related to the enterprises and partially related to the immediate surroundings of the enterprises should be managed by the enterprises themselves. Of course, the demarcations between macroeconomic and microeconomic activities are sometimes obvious and at other times obscure. For those which are obvious such as the proportion between accumulation and consumption, the scale of gross investment, the gross prices, the level of wages and so forth should be managed by the state. Whereas the enterprises should manage the links between the production, supply and marketing. There are those which are obscure such as how to differentiate between principal investments and ordinary investments, how to draw the line between principal products and ordinary products and so forth. These concrete problems should be determined according to the concrete economic conditions of the time and should not be rigidly defined.

#### V. Concerning the Problem of Exerting the Market Effects

The market mechanism is an important means for practicing a decentralized management system. It is vital to rectify certain defects in a centralized system. A centralized system has two fatal defects: The first one is that the horizontal relations of such a system are extremely fragile and subordinate to the vertical relations. Things which can be easily resolved among enterprises cannot be done so in our system without first being approved by the higher authorities and then transmitted down the hierarchy or permission must be requested from several levels of authority. This normally results in delays, poor efficiency and losses. The second is to replace value relations with relations in kind. The commodity and currency relations play only a subordinate and passive role. The various means practiced under the centralized system, such as planned purchase and assigned purchase, state purchase and distribution, planned distribution, planned allocation, planned supply and so forth, have their limit of materials in kind stipulated above. These are only the means of a natural economy. Although everything is still accounted for and paid in terms of currency, the value categories such as currency and prices only play a passive accounting role. The production units and the individuals cannot obtain the goods for production and personal consumption according to the amount of currency they own and their personal wishes. It is possible that production units and individuals may not be able to share the material in kind for lack of the necessary currency. [HK050138] Since everything is rigidly stipulated from above, enterprises are unable to choose the most rational structure of investment (such as taking in various kinds of raw materials) and production



(of various products). Thus, there can be no mention of rational and efficient utilization of human, financial and material resources. In order to change this situation, we must first develop the horizontal linkage among enterprises and gradually replace or reduce the vertical linkage of administrative leadership. Second, we must develop the genuine commodity and currency relations among production enterprises to gradually replace the linkages established by the index of quotas in kind assigned from above. The positive roles of value categories such as currency and prices should be brought into play. All these can only be done by bringing the market mechanism into full play. In order to do this, we must first overcome the theoretical obstacles and smash the traditional superstitions such as treating the socialist planned economy as a natural economy, treating the market economy as the equal of capitalism, denying the commodity nature of the internal economic connections of the system of ownership by the whole people, denying the adjusting role of the law of value, treating the system of state purchase and system which fixed the quota and prices as the manifestations of the essence and superiority of planned economy and so forth. Without smashing these feudalistic superstitions, it is impossible to utilize the market mechanism, practice the coordination of market adjustment and planned adjustment and move ahead with the economic restructuring.

I think there are at least three conditions for bringing the adjusting role of the market into play: First, enterprises should freely participate in market activities as relatively independent commodity producers. Second, there should be a certain degree of price fluctuation. Third, there should be a certain degree of competition. There can be no utilization of the market mechanism or bringing into play the adjusting role of the market without these three basic conditions.

#### VI. Concerning a Problem of Planned Adjustment--The Problem of Integration of Initiative From Below With Initiative From Above

At present, when talking about the restructuring of the planning system, everyone places a relatively greater emphasis on the stipulation of plans from below. Directed at the previous defect of the centralized system of only having instructive plans from above, it is necessary to emphasize initiatives from below in the restructuring of the planned system. However, I do not think it is too advisable to emphasize initiatives from below to the exclusion of initiatives from above. This will cancel the guiding effects of national planning and turn it into a mere summary of plans from the enterprises. Therefore, I think that it is better to emphasize the coordination of initiative from above with that from below without the exclusion of the former. The coordination of initiative from above with that from below in planning work is based on the same principle as coordination between centralization and decentralization, and coordination between planning and the market in the whole economic system. Decisions under centralized planning often tend to look at things from the perspective of overall interests. Whereas the dispersed decision of each and every commodity producer and purchaser in the market often tends to partial interests. In order to handle the coordination between overall and partial interests properly, the coordination between planned adjustment and market adjustment in the whole economic system

as well as the coordination of initiative from below with that from above in the planning system should be improved. If there are only initiatives from below, the partial interests of the various commodity producers and the consumers will be taken care of. However, it may destroy the interests of the whole. This, in turn, will hamper the fulfillment of partial interests. If there are only initiatives from above and the tasks from above are forced on the lower levels, the partial interests will be hampered due to a failure to conform to the actual conditions. This is so even if the planning from above stems from the perspective of the overall interests. In the end, the overall objective and interests will not be fulfilled. Therefore, we cannot just talk about initiative from below. Planning initiated from above includes two aspects: the first one is the formulation of macroeconomic objectives as the guide for the formulation of plans at the lower levels. The second is the proposal of important production construction tasks which concerns the interests of the whole. This is to be realized through consultation at various levels. Planning initiated from below is not a mechanical sum total. It has to be coordinated with the common interests of a large area or even that of the whole nation. [HK050140] Such coordinations should be balanced at the various levels and finalized at the end. No matter whether it is the coordination of planning initiated from above or below, they must go together with the adjustment of various economic policies. It is only in this way that the enterprises can be spurred to adjust their own actions according to the objectives of national planning. Therefore, planned coordination and policy adjustment should be the two basic means of planned adjustment.

#### VII. Concerning the Problem of Using Economic Means to Manage the Economy

Here there are two problems: First, can we make this proposal? Second, what does it mean?

Some comrades oppose the proposition and ask whether we can use "economic means." They propose that we should "work according to objective economic laws." I do not think that there is a contradiction between these propositions. The former is the manifestation of the latter in the methods of management. The proposition of "working according to objective economic laws" is more general such as working according to the law of schematic and proportionate development. The demand of this objective law can be fulfilled by different means. The administrative means can be used to formulate the planned targets for the various departments and transmit them down the hierarchy as decrees. The economic means can also be used to fulfill targets through adjustment of prices and other economic policies. Furthermore, the two methods can be used together. Some comrades have said that putting these two concepts together is actually discriminating against administrative means; whereas administrative means is indispensable in the economic management of any society. Of course, it is not right to put economic means against administrative means. It is even more erroneous to lop-sidedly advocate economic means at the expense of administrative means. However, why cannot this pair of concepts be used together in the sense of the mutual coordination? I think the economic management system we should establish in our economic restructuring is precisely one that integrates the use of economic and administrative means, with economic means as the



primary focus. This does not contradict the proposition of working according to objective economic laws. Rather, it is a more concrete proposition.

What exactly is meant by using economic means to manage the economy? The existing views are not unanimous. Some comrades think that economic means are the means which take care of the economic interests of all quarters. However, considering the economic interests of all quarters, administrative means can be used to give some benefits to everyone. Or means other than that of administrative orders, such as economic means, can also be used. That is to say, we can use value categories such as prices, profits, wages, loans, interest, taxes and so forth, as economic levers to adjust the relations of economic interests of all quarters to mobilize the collective enthusiasm of the enterprises and the individual enthusiasm of the laborers. I think the essence and characteristic of economic means lies precisely in using the economic levers related to the law of value. Some comrades regard the use of economic means to manage the economy as breaking down the administrative hierarchy, departments and demarcations. Instead of managing the economy by administrative organizations, specialized and cooperative economic organizations in the form of trusts which extend over several regions and trades should be established according to objective economic connections. This explanation is reasonable to a certain extent. Therefore, it seems that the so-called "using economic means to manage the economy" includes at least two levels of meanings. The first is to establish economic organizations according to objective economic connections to replace administrative organizations in managing the economy. The other is to use value categories extensively as economic levers to adjust the relations of economic interest of the various quarters to mobilize their enthusiasm. I think these two parts of using economic means to manage the economy are precisely the two great problems facing the present economic restructuring.

#### VIII. Concerning the Conditions for Economic Restructuring

Changes in economic modes and types cannot be chosen at will. They are restrained by a series of subjective and objective factors and require given conditions taking into consideration the experiences of structural reforms in various countries and the research of economists all over the world, the selection of economic modes or types, that is whether to adopt a model based primarily on centralized planning or a decentralized model integrating planning and the market, is restrained by the following factors:

[HK050142] First, the development level of the productive forces and the degree of complexity of the structure of social production. When the level of productivity is relatively simple, a centralized system is more appropriate. After the level has been raised and the structure made more complex, a decentralized system is more appropriate.

Second, whether the path of economic development is one of outward extension or internal improvement. Outward extension means developing economy through increased investment and labor forces. Furthermore, it is primarily one of quantitative development. Under such conditions, a centralized system is more appropriate. However, the means of internal development rely primarily

on improving efficiency to develop the economy. It places emphasis on both qualitative and quantitative development or primarily stresses the qualitative aspect. In this case, a decentralized system is more appropriate.

Third, if the path of industrialization is one that stresses heavy industry, light industry and agriculture in descending order while paying little attention to improving the people's living standard, a centralized system is appropriate. However, if one takes the path which emphasizes the agriculture, light industry and heavy industry in descending order while placing greater emphasis on improving the people's living standard, a decentralized system is more appropriate.

Fourth, the proportion of foreign trade in the national economy and the structure of foreign trade. The more important foreign trade is in the national economy, the greater the proportion and more diversified are the processed products and high quality goods in the export structure. In this case, it is more essential for the centralized system to make a transition to a decentralized system.

Judging from the conditions of our country, the conditions under the four factors mentioned above are, at present, beneficial from our transition from a highly centralized economic system to an economic system which integrates planning and the market. At present, our level of productivity has been much improved when compared with the 1950's. With the creation and division of new departments, the number of enterprises have greatly increased. Our economic structure is also far more complex than in the past. Development in the past primarily relied on the increase of manpower and capital and the increase of raw materials although the efficiency fell. From now on, we will not rule out the development of outward extension, but we will rely primarily on improving efficiency. For a relatively long period in the past, we practiced the principle of placing heavy industry, light industry and agriculture in descending order of importance while paying less attention to improving the people's living standard. Now we want to shift to the path of placing agriculture, light industry and heavy industry in descending order while putting the improvement of the people's living standard in its proper position. There is also the extensive development of economic connections abroad. All these have necessitated and provided the possibility for our economic management to make the transition from a highly centralized system to a decentralized system which integrates planning and the market.

However, the above discussion is based on the conditions of the economy itself. The economic conditions mentioned above are inadequate for economic restructuring. There must be corresponding political and social conditions. If the political and social conditions are not forthcoming, it will be difficult to carry out the transition mentioned above even if the economic need is very intense. On the other hand, even if the economic need is rather small, it is still possible to make the transition to a decentralized system which integrates planning and the market if the political need is intense. Czechoslovakia is an example of the former and Yugoslavia of the latter. In 1968 Hungary possessed all these conditions and was able to make the transition into a decentralized system more smoothly.

Since the smashing of the "gang of four," we not only have the economic conditions for reform, we also have the necessary political conditions. The party Central Committee has resolved to restructure the economic system. Meanwhile, we must see that economic restructuring must correspond with political restructuring or it will be all in vain. Here, it is important to initiate political democratization from below. If there is no democratization from below, the expansion of enterprises' decisionmaking power and that of the local authorities will have opposite effects. If there is no democratization from above, the decentralizing measures will either be rejected, discriminated against or dished up to keep the old centralized system intact, if there is a clash with the vested interests of certain organizations or persons in power at higher levels. This can be seen by looking at the economic restructuring in certain countries. Therefore, our economic restructuring must compliment and coordinate with the restructuring of the political and cadres systems in order to achieve the necessary results. At present, our party is carrying out the restructuring of these aspects simultaneously. Therefore, our reform of the various systems has a promising future.

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## NATIONAL ECONOMIC POLICY

### PRC ECONOMIC JOURNAL DISCUSSES ECONOMIC RESTRUCTURING

HK090703 Beijing JINGJI GUANLI in Chinese No 11, 25 Nov 79 pp 18-19 HK

[Article by Dong Fureng [5516 6534 4356]: "How To Carry Out Economic Restructuring?--A Discussion With Professor Bulusi of Oxford University"]

[Text] Recently, while I was in Cambridge, England attending the round table conference held by the International Economic Association, I took the opportunity to go to Oxford University and had a discussion with Professor Bulusi about economic restructuring.

For many years Professor Bulusi has made an in-depth study of the economic restructuring in East European countries. Despite the fact that our discussion lasted no more than 2 hours and many problems were only touched upon superficially, I was much enlightened. The following is the first of our discussions as I understand it.

Professor Bulusi said that since some of the East European countries were comparatively small, relations between the central and local authorities were not the most important question. Their main concern in economic restructuring was to improve the relations between the central authorities and the enterprises. However, for a country as vast as China, the first problem to tackle is the relations between the central and local authorities, then the relations between the central authorities and the enterprises; and after that, the relations between the local authorities and the enterprises. The relations between the central and local authorities were a question of centralization and decentralization, not a question of marketing, which exists only in the relations between the central authorities and the enterprises as well as between the local authorities and the enterprises. In trying to improve the relations between the central and the local authorities in the course of carrying out economic restructuring, China has to consider which method is the least contradictory. Considering only the division by administrative power will not lead to successful economic restructuring. What is vital is to make good use of markets.

This is indeed true. In the past, our country carried out economic restructuring several times and always focused its attention on the division of jurisdiction between the central and the local authorities. Such division is indeed important because its success can be useful in bringing into play the initiative of both the central and the local authorities. However,



the problems that lie in the respective relations both the central and the local authorities have with the enterprises cannot be solved merely by focusing on the division of jurisdiction between the central and the local authorities. For instance, enlarging the power of the local authorities by placing under their jurisdiction enterprises that used to be administered by the central authorities does not change the relationship of administrative subordination between the enterprises and the administrative organizations. Enterprises are still attached to the administrative organizations; the only change is that authorities to which the enterprises are originally attached are switched from the central to the local. The relations between the central authorities and the enterprises as well as between the local authorities and the enterprises should not be a question of division of administrative authority. If the latter kind of relations are so considered, then the relationship of administrative subordination the enterprises have with the central and the local authorities will not change, even if the authority of the enterprises are enlarged. In other words, this will not change the status of the enterprises being attachments to both the central and the local authorities. So long as this kind of relations and status remain the same, it can be said that it will be impossible for the original economic system to make any substantial changes. Professor Bulusi said that the relations the central and the local authorities have with the enterprises were a question of marketing. I think this is very important. To say it is a question of marketing means we must change the relationship of administrative subordination the enterprises have with the central and the local authorities. Also we must change the status of the enterprises as attachments to the administrative organizations. At the same time, the enterprises should be turned into a relatively independent unit of economic accounting as well as of commodity production and exchange. Then the relations the central and the local authorities have with enterprises will no longer be a relationship between the leaders and the led or between the commander and the follower, which is the case with the central and the local authorities. (Professor (Bulusi) gave the following example: The leading organ in the army has two functions--advising and commanding. The central and the local authorities should not exercise the function of commanding enterprises, but rather the function of advising them.) The respective relations the central and the local authorities have with the enterprises should be established on the basis of economic accounting. As a relatively independent unit of economic accounting as well as of commodity production and exchange, the enterprises should have the corresponding authority and obligations. The state should use the commodity-money relationship and economic levers to readjust its relations with the enterprises and to instruct and guide the operation of the enterprises. To carry out economic restructuring, we must not only solve the problem of the division of administration authority between the central and the local authorities, but also change the relationship of administrative subordination the enterprises have with the central and the local authorities into a relationship between the central and local authorities on the one side and the independent commodity producers and exchangers on the other. The corrupt practices caused by the existing economic system will be difficult to eliminate, if the latter restructuring is not implemented. [HK090729] Professor Bulusi thought that both the economic system of highly concentrated planning and perfect market readjustments could be carried out easily. The economic



system that was most difficult to put into practice would be the one that combined the planned and market readjustments. He preferred the latter system. He thought that, in implementing this economic system, there were three requirements for a country to control its economy economically:

I. The State Should Have the Power To Decide on Important Investments

This, I feel, is very important. When the economic system which integrates planned readjustment with market readjustment is implemented, enterprises should, under the guidance of centralized plans, have the power to readjust their production, improve their techniques and invest and so on in accordance with the change of the supply and demand relation of the products as reflected by the market. The state, however, should still have the power to decide on important investments, so as to readjust any disproportion or imbalance that might occur in the national economy, insure the development of key sectors and support districts lagging behind in economic development with a view to readjusting the imbalance of economic development there and so forth. Of course, the method used in the past of allocating funds for investment without interest should not be adopted. Instead, the funds allocated for use must be repaid on schedule.

II. The State Should Determine the Policy and Principle of the Behavior of Enterprises

I think that after changing the relations that enterprises have with the central and local authorities from one which is administratively subordinate to one which the two authorities would have with a relatively independent commodity producer and exchanger, the national economic functions will be improved rather than impaired. Since the administrative organs at various levels will no longer be required to instruct enterprises what to do, what not to do and how to do it, these organs can get rid of this tedious daily operation. Then they can seriously study and formulate economic policies, lay down the activities that the principle enterprises should follow and make proper use of the commodity-money relationship and the economic levers to instruct and guide enterprises to develop in the correct direction and along the right track so as to avoid the negative effects that might arise from carrying out market readjustment.

III. Both the Central and Local Authorities Should Have a Way To Control and Use Parameters Such as Price and Interest

Like the other points, Professor (Bulusi) also did not elaborate on this one. A parameter is the quantity which is constant under a given condition in a mathematical or physical problem being considered. It is also defined as a constant capable of varying within a certain range. For instance, in the mathematical equation,  $y = mx$ ,  $x$  is the parameter. According to my understanding, Professor (Bulusi) meant that in implementing the economic system which combined planned and market readjustments, the state should control and use economic levers to guide the economic activities of enterprises and readjust the economy so as to achieve the planned and desired target in keeping with objective economic laws. For example, the state

could use the price parameter to readjust the supply and demand of products. At the same time, it could also make use of interest to guide the direction in which enterprises invest their money. In the national economy, such economic parameters include taxation and credit. They each have different roles and should be used in integration.

Professor (Bulusi) thought that in implementing the economic system that combined planned and market readjustments, one would find it very difficult to meet the above second and third requirements. I think his analysis showed insight. Whether planned and market readjustments can be combined effectively, and whether the contradictions between these readjustments can be offset depend, in particular, on whether the leading economic body is good at controlling and using economic parameters and economic levers in a planned way to readjust the economy. This obviously is much more difficult than commanding economic activities through the existing method of giving administrative orders.

Professor (Bulusi) also thought that under this economic system, foreign trade should still be controlled by the state. A socialist country implementing a planned economy cannot leave foreign trade uncontrolled. The question is how to do it. Foreign trade should be controlled flexibly, not rigidly. Price fluctuations in international markets must not be allowed to affect domestic prices and production. We cannot be completely open to foreign countries, nor can we break off from them. This problem is very complicated

In addition, Professor (Bulusi) made some suggestions regarding our economic restructuring. He said that China's planned assignment must not be too ambitious or the economic factors will become very strained. Then the economic restructuring will run into difficulty.

[HK090734] This problem has already come to our notice and readjustment is now being made. To readjust the serious imbalance in the national economic proportion is an indispensable step in economic restructuring. It is obvious that without solving this problem of imbalance, any good restructuring plans or measures will only become a mere scrap of paper and cannot be implemented. Furthermore, in the process of implementing economic restructuring, consideration must be given to the drastic changes which will occur in the various economic relations (the production-supply-sales relations of products, financial relations, wages, bonuses and so forth). Without sufficient preparation in the area of material resources and capital, it would be difficult to cope with the various hardships and problems which might occur in the course of change. With regard to the present situation, it is particularly necessary to shorten the front of basic construction. If this front is extended rather than shortened, it will exert more strain on financial and material resources. This would not only become a serious obstacle in readjusting the imbalanced proportionate relations, but will also prevent the implementation of economic restructuring. It is regrettable that this point is not understood by everyone. However, I hope that it will gradually and quickly be recognized by all.

## NATIONAL ECONOMIC POLICY

### SOME ESSENTIAL QUESTIONS REGARDING THE BONUS SYSTEM

Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 79 pp 53-55

[Article by Chen Jinyu [7115 6651 3768]]

[Text] In 1979, JINGJI YANJIU No 6 carried Comrade Sun Keliang's article entitled "Are Bonuses Only Remunerations of Overquota Labor?- Discussions on the Nature of the Bonus System" (hereinafter referred to as "On the Nature of the Bonus System"). In this article Comrade Sun refuted the concept that bonuses are only remunerations of overquota labor, and charged that the concept "is neither an accurate presentation of the nature of the bonus system nor an accurate summary of the bonus system as a phenomenon." But what is an accurate presentation of the nature of the bonus system or an accurate summary of the bonus system as a phenomenon? According to Comrade Sun's article, "bonuses compensate the consumption of labor brought about by the variable factors of labor and reward the accentuated variable factors of labor." The so-called "variable factors of labor" are "the work attitude, activism, sense of responsibility, initiative and creativity of the workers." This means bonuses in essence are rewards for the work attitude, activism, sense of responsibility, initiative and creativity of the workers. This concept of the nature of the bonus system calls for a careful study.

The bonus system is a form of remuneration of labor based on distribution according to work. Like time wage and piece rate wage, it is awarded according to the amount of labor a worker contributes to society, including its quality and quantity. Bonuses are used generally to supplement time wage which only reflects an average amount of labor workers of the same level are expected to contribute. This is labor within a fixed quota. Any amount of labor over and above this fixed quota is overquota labor. Bonuses are the remunerations of this overquota labor. The principle was explained very clearly in the RENMIN RIBAO, 8 December 1978, by a commentator in his article called: "Comments on the Implementation of the Bonus System," and in "The Finance and Trade Front" of the RENMIN RIBAO, 18 May 1979, by another commentator in an article called: "Carry Out Correctly the Bonus System Based on Distribution According to Work." I think the views expressed in these two articles are correct. As a matter of fact, bonuses have nothing to do with the subjective factors which motivate a worker to contribute

overquota labor to society, be it work attitude, personal interests or material benefits. The work attitude, enthusiasm and sense of responsibility of a worker cannot be used as objective criteria for the award of bonuses. The work attitude, enthusiasm and sense of responsibility of a worker will be awarded bonuses only when they are translated into substantive quality and quantity of work. A worker who has not contributed overquota labor to society is not entitled to bonuses no matter how commendable his work attitude, enthusiasm and sense of responsibility are. Of course, a worker with a given degree of skill, good work attitude, intense enthusiasm and keen sense of responsibility would be able to contribute overquota labor to society to earn bonuses. When a worker earns bonuses for his overquota labor, his work attitude, enthusiasm and sense of responsibility are rewarded at the same time. However, if bonuses were used exclusively to reward work attitude, enthusiasm and sense of responsibility instead of overquota labor, they would reward work attitude rather than quality and quantity of work.

There are also contradictory views in this article "On the Nature of the Bonus System." At first, the author said a discussion of the nature of the bonus system should start from "three factors," including both the quality and quantity of labor. But when he began analyzing the nature of the bonus system, he left out entirely the quality and quantity of labor. Instead, he defined the quantity of labor as "a constant quantity" and the quality of labor as "a constant factor." This rules out the inherent relations between the quantity and quality of labor on the one hand and bonus on the other. How could he expect to arrive at a correct conclusion if he discusses the bonus system independent of the quantity and quality of labor?

The idea that the quantity of labor "is generally a constant quantity" as suggested in the article is based on the 8-hour work day system. In reality, the 8-hour system does not necessarily represent an equal amount of labor contributed by every worker per day. There are people who do not work or work very little when they are physically present at their jobs. Even if they all work at the same intensity, the amount of labor they each contribute would still differ because job complexity, degree of skills and different hours of the day do make a difference.

The quality of labor is measured by the degree of job complexity and the skill required. The author has mystified this concept by splitting the quality of labor into two different factors, namely, "the constant factor of the quality of labor" and "the variable factors of the quality of labor." The author takes these two factors to buttress his arguments and support his theory of the nature of the bonus system. The idea of splitting the quality of labor into two factors is unscientific and does not hold water either in theory or in practice.

First, the so-called "variable factors of the quality of labor" are invalid because work attitude, enthusiasm, sense of responsibility, creativity, etc. are not within the scope of the quality of labor. They are not qualitative



labor until they become real labor through jobs done by a worker. The moment they become qualitative labor, they are no longer attitude, sense of responsibility, etc.

Second, the so-called "constant factors of the quality of labor" are "the complexity, intensity and degree of skill of labor." They do not "remain constant for a long time." In reality, labor intensity and skill change all the time. Take labor intensity for example. It denotes the amount of labor spent within a given period of time. It is a very active variable "factor." Numerous industries in our country are still run manually. We often hear workers say the day's work is "taxing" or "not taxing." These indicate the intensity of their work changes all the time. This is also true of labor skill and complexity. So the concept of "the constant factors of labor" is invalid.

This is the conclusion reached by the author in his article "On the Nature of the Bonus System": "Time wage is the relatively constant portion of labor remuneration related to and determined by the constant factors of labor." "Bonus is the variable portion of labor remuneration which compensates the consumption of labor brought about by the variable factors of labor and rewards the accentuation of the variable factors of labor." According to the author, "consumption of labor brought about by the variable factors of labor" and that by "the constant factors of labor" are separate and compensated separately. This is unsound in theory and impractical in reality. The author believes labor intensity is "a constant factor of labor" and the consumption of labor it brought about is compensated by time wage. Labor enthusiasm is "a variable labor factor" and the consumption of labor it brought about is compensated by bonuses. In reality, labor intensity and enthusiasm are often one and the same thing, the greater the enthusiasm, the greater the intensity and vice versa. How could there be labor enthusiasm without labor intensity or labor intensity without labor enthusiasm? Moreover, how could consumption of labor induced by the variable factors of labor be measured? For example, how heavy does the work attitude of a worker weigh? How heavy does the consumption of labor induced by the work attitude of a worker weigh? To resolve these problems, the author assures us: "We could rely completely on the fruit of labor as a yardstick to assess the trend and level of changes of the variable factors of labor." If a master worker and his apprentice are both outstanding in work attitude, would the fruit of their labor be equal? If not, could both be awarded the same amount of bonuses just because their work attitude is equally outstanding? If they were awarded the same amount of bonuses, wouldn't it be equalitarianism irrespective of the quality of work? The fact that the article "On the Nature of the Bonus System" favors distribution of pay according to work attitude instead of the quality and quantity of work actually justifies the equalitarian practices now prevailing in the administration of the bonus system.

I wish to comment on a few more points in the article "On the Nature of the Bonus System."



1. The question of labor quota. It is pointed out in the article: "The most important element in the definition that 'bonuses compensate overquota labor' is the concept of quota.... But quota is not an integral part of labor. It is a measure devised arbitrarily to assess the amount of labor consumed and the fruit of labor." This argument refutes the scientific basis of labor quota. True, labor quota is devised arbitrarily, but its content is objective. Like truth, even though the form of its manifestation is subjective, its content is objective. The amount of time required by a worker to produce a certain product and the quantity of product a worker must produce within a given period of time could and ought to be determined scientifically. A worker who contributes more labor and produces more material wealth for society than the quota assigned him and others of equal skill in the same type work must be awarded bonuses.

2. The question of "full attendance awards," "punctuality awards" and "safety awards." The article affirms the "reasonableness" of these three kinds of bonuses but charges that they could not be "reasonably explained" in terms of the theory that bonuses are only remunerations of overquota labor. Personally I think "full attendance awards" could not be justified. "Full attendance" does not imply that a worker has done any overquota work. A worker with a "full attendance" record who has fulfilled his labor quota is compensated by time wage and does not deserve any bonus. The "full attendance awards" administered now by a number of enterprises are provisional measures to supplement low wage. We could not say what already exists is bound to be justified. Some socialist countries use both time wage and bonuses. A worker who fails to fulfill his assigned labor quota has to take a cut in basic wage in spite of full attendance. This agrees with the principle of distribution according to work. Safety and punctuality awards ought to be analyzed in terms of actual practice. Take railroad transportation for example. Safety and punctuality awards are justified for safe and punctual operations exceeding a given coefficient, such as "accident free for 100 days," or "safe operation over a given mileage," or punctual train arrivals exceeding a certain ratio. Here the workers must be more attentive and more careful in operating and maintaining the facilities in order to achieve such a record. This means they have contributed overquota labor in the form of mental and physical exertion. Safety and punctuality awards given them are compatible with the principle that bonuses are rewards for overquota labor and therefore justified.

3. The question of "minimum awards." The article asserts that "it is reasonable to give minimum awards to workers who have fulfilled their labor quota." Why is it reasonable? According to the author, bonuses are needed to supplement the time wage which does not compensate adequately the labor spent to meet the quota. I believe time wage could be supplemented by bonuses even though bonuses are meant to compensate overquota labor. Time wage and labor quota should be compatible. A worker who has improved his skill, and is certified and assigned a new labor quota should also earn a corresponding higher rate of time wage. The way to insure adequate remuneration of quota labor by time wage is to apply the system of promotion for

junior workers. The fact many enterprises have to resort to "minimum awards" is because the system of promotion for junior workers has broken down. The failure to adjust the rate of wage of workers who have improved their skill is accountable for the inadequacy of time wage to compensate the assigned quota labor. This is unreasonable. The system of "minimum awards" is only a temporary measure of relief pending complete overhaul of the wage system. In the long run, we have to reinstate the system of promotion for junior workers, promote a system of technological quota and overcome equalitarianism in time wage. This is the only way to tie bonuses to overquota labor and make the bonus system work more effectively to encourage progress and promote production.

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## ECONOMIC PLANNING

### PRC ECONOMIC JOURNAL ON COMMERCIAL ENTERPRISE MANAGEMENT

HK181010 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 12,  
25 Dec 79 pp 50-51 HK

[Article by Chen Shuqiu [7115 2885 4428]: "On Several Problems Concerning the Management and Operation of Commercial Enterprises"]

[Text] It should be admitted that a number of problems do exist in the present management and operation of our commercial enterprises. These include: 1) Lack of surveys and studies on the conditions of supply and demand. 2) Illogical movement of commodities; the roundabout process of transportation is time-consuming and many commodities have even been lost in transit. 3) The conservative idea of reluctance to sell persists. The habitual system of "supplying commodities wholesale" and "supply by coupon only" have improved, but have not completely changed. Many commodities though stocked in warehouses are not readily available at the retail outlets or available only as samples or for display. Commodities which were originally suitable for sale become unsalable; certain old products are eliminated by new ones and become obsolete. 4) Poor storage conditions for commodities; the utilization rate of warehouses is low and a high proportion of the stocked commodities are damaged. The above problems are manifested in the over-investment, slow turnover, high overhead and high waste of properties, and low profit rate. In many enterprises, some of the main economic indices such as capital turnover rate, overhead rate, profit rate and so forth still cannot catch up with or surpass the best standards on record in their unit.

Judging from the present situation of the existing management system of commercial enterprises, special attention should be paid to the following three problems: 1) What is the main substance of commercial enterprise management and operation? 2) What are the main responsibilities of persons in charge of commercial enterprises? 3) What are the main yardsticks for measuring the management standard of commercial enterprises? It would be difficult to raise the standard of management and operation of commercial enterprises if these three problems are not solved.

What Is the Main Substance of Commercial Enterprise Management and Operation?

Commercial enterprises are composed of four essential factors: manpower, capital, facilities and commodities. Purchase and sales activities of

commercial enterprises can be carried out only after we have manpower. Facilities and commodities can be purchased only after we have capital. Commodities can be stored only after we have facilities. And operation of commercial enterprises can take place only after we have commodities. Without these four essential factors, commercial enterprises cannot come into being.

The management of these four essential factors complement each other and not a single one of them can be dispensed with. However, which of them is the primary factor? In my opinion, commodity management (which covers the management of purchase, sale, allocation and storage of commodities) is the main substance of commercial enterprise management. Why? 1) Manpower, capital and facilities serve the circulation of commodities; without commodities, commercial enterprises cannot come into being and commodities are the characteristics that distinguish commercial enterprises from other forms of enterprises. 2) The commodities of commercial enterprises are the common properties of our country and the working people. They are the material basis on which our party and country develop industrial and agricultural production and make proper arrangements for the livelihood of our people; they are also the material basis for the operation activities of commercial enterprises. Without commodities, the operation activities of commercial enterprises can never proceed. 3) Commodities take up a major portion of the total amount of capital owned by commercial enterprises. Over 80 percent of the current capital is spent on commodities. Proper management of commodities is the main aspect of proper management of commercial enterprises. From the three points above, we can see the position and weight of commodity management in commercial enterprise management. These points can also explain the importance of commodity management. If the commodity management of a commercial enterprise is not in proper order, the management standard of this enterprise will be low and the resulting economic indices will also be poor.

Judging from the present situation of the existing management and operation system within the commercial enterprises, the main concern is that there are many problems within the management system for the purchase, sale, allocation and storage of commodities. It is, therefore, necessary to hold discussions on the problems and make the management of the purchase, sale, allocation and storage of commodities the main substance of commercial enterprise management. It is also necessary to establish, restore and faithfully put into practice the management systems for the purchase, sale, allocation and storage of commodities so that the commodities purchased are salable, the routes of transportation are logical, the direction of transportation is normal, the time taken to go through each stage, from warehousing to selling, is short, the warehouses always keep sufficient stock, the wholesale outlets always have samples on display, retail shops always have commodities available for sale, commodities in warehouse are safely stored, warehouses are fully utilized and waste is reasonable. In short, we have to raise the standard of commercial enterprise management by raising the management standards of the various links, namely, purchase, sale, allocation and storage of commodities.



[HK181025] What Are the Main Responsibilities of Persons in Charge of Commercial Enterprises?

The person in charge of a commercial enterprise is known as that manager, that is, a person who performs duties related to the management and operation of an enterprise. Therefore, as a person in charge of a commercial enterprise, he should concentrate all his efforts on the management and operational aspects and not be busily engaged in administrative affairs. For instance, he should be conversant with all the aspects of the operation including the structure of commodities in stock. He should know what types of commodities are over-stocked or understocked, what types are obsolete, how are the contracts fulfilled, what the supply situation is, how long does it take the supplies to arrive and what the situation of storage and sale is. He should also check frequently the operational progress against the economic targets and adopt effective measures to deal with any problem he finds within the management system. In addition, he should personally examine and sign the contracts entered into with outside parties under the plan of commodity circulation, as well as the statistical and accounting reports and so forth which are to be submitted to the higher levels. These, I think, are the specific duties of the persons in charge of commercial enterprises and these should form the daily tasks of the persons in charge of commercial enterprises. The operations within an enterprise should not be taken as a job for the head of the business department nor should management be taken as a job for the head of the finance and accounts department. The head of the business department or finance and accounts department is only the manager's assistant. The person in charge of an enterprise must not become an administrative officer; he should directly shoulder the various responsibilities in the management and operation of the enterprise.

To use administrative methods in the capacity of an administrative officer to manage a commercial enterprise is not consistent with the objective economic laws. The standards of management and operation in an enterprise can be raised only by using methods of economic management in the capacity of a manager to manage the commercial enterprise. A manager should be an expert who knows his profession well. To be able to do so, attention should be paid to four issues. 1) The persons in charge of commercial enterprises urgently need professional training. Commercial administrative departments in the provinces can organize provincial companies to train persons in charge of the subordinate companies. Alternatively, provincial commercial schools can give individual training to persons in charge of commercial enterprises. The training should include studies on economic management, knowledge related to commodities, and professional knowledge like warehousing, pricing, financial control, accountancy, statistics and so forth. After training, the persons in charge will become more conversant with the profession when taking up the post of manager in the enterprises. Under the present circumstances, the training of persons in charge of enterprises should come before the training of specialists in finance, accounting, statistics, pricing and so forth. 2) The existing personnel management system governing the cadres within an enterprise is open to question. Take, for instance, the transfer of the persons in charge of an enterprise. Very often there are cases in

which within the same county someone who was manager of a food company the year before and was posted to a department store the following year is transferred this year to a company selling cigarettes and wine, while next year he may be assigned to a food services company. This makes it very difficult for him to specialize in the profession he manages. This is also one of the reasons contributing to the present situation in which "there are few experts among the managers." 3) At present, there are problems in the functional setup dealing with personnel matters, secretarial duties, business affairs, financial affairs, planning and so forth are found in all commercial enterprises at the county level. A too complicated administrative structure with too large an administrative and management staff is one of the objective causes leading to bureaucratic practices and the attitude of shifting responsibilities among the persons in charge of commercial enterprises. In addition, such a condition makes it difficult to get sufficient staff to join the forefront of commodity management. Such an organizational structure needs to be reviewed. The manager should directly grasp the purchase, sale, allocation and storage of commodities. The creation of posts for business executives is justifiable, but they should be put under the direct control of the manager. As for departments dealing with personnel and secretarial matters within an enterprise, I think it can be abolished and simply be replaced by a newly created post of secretary who will then handle the administrative affairs and be an assistant to the manager. In this way, the organizational structure within a commercial enterprise can be adjusted to suit the requirements of enterprise management and operation. 4) A clear-cut system of job responsibilities for the post held by the person in charge of an enterprise must be established. It is very inadequate to have systems of job responsibilities only for the posts of business staff, storekeeper, statistical staff and so forth. A system of job responsibilities for the person in charge of an enterprise should be established first.

[HK181035] What Are the Main Yardsticks for Measuring the Management Standard of Commercial Enterprises?

The economic indices reflecting the progress of commercial enterprise operation include the volume of purchases, volume of sales, overhead rate, amount of profit and capital turnover rate. When summarizing the performance of a commercial enterprise, it is necessary to compare the actual figures of the above indices with the target figures and past figures to account for the achievements and deficiencies of the operation of the commercial enterprise and to provide a basis for formulating future planning. The comparison is of course necessary because these economic indices reflect the operation of a commercial enterprise. Which of these indices, then, are the main yardsticks for measuring the management standard of a commercial enterprise? We think they are the capital turnover rate and the capital profit rate, because they reflect the conditions of purchase, sale, allocation and storage of commodities as well as the earnings of a commercial enterprise. As for the volume of purchase, volume of sale, overhead rate and amount of profits, they are only the indices reflecting the results of the operation of a commercial enterprise and not the main indices reflecting the management standard of a commercial enterprise. Large purchase volume and large profits do not equal a high management standard.

For example: the capital of Enterprise A is 1 million yuan and that of Enterprise B (an enterprise of similar nature) is 800,000 yuan. In both cases the volume of sale is 4 million yuan and the amount of profit 120,000 yuan. Which of these two enterprises, then, has a higher management standard? Superficially, they have the same volume of sales and amount of profit. However, with a capital of 800,000 yuan, Enterprise B is able to achieve the same volume of sale and amount of profit made by Enterprise A which has a capital of 1 million yuan. The capital turnover rate is four in the case of Enterprise A and five in the case of Enterprise B, while the capital profit rate is 12 for Enterprise A and 15 for Enterprise B. Although both enterprises have an equal volume of sales and profits, but since their capital is not the same, it is necessary to ascertain which one is more cost effective. This is the subject of management science. From the above figures, both the capital turnover rate and capital profit rate of Enterprise B are higher than those of Enterprise A. This definitely does not happen by chance. Enterprise B can only achieve this by strengthening the management system in the various links of commodity management and is definitely more advanced than Enterprise A in many aspects. Capital turnover rate and capital profit rate are, therefore, the main yardsticks for measuring the management standard of a commercial enterprise. The assessment of the management standard of a commercial enterprise cannot be based only on the volume of sales. The volume of sales and the amount of profits should be large if the capital is large. The management standard is considered to be high if turnover is quick and the profit rate is high (this of course means reasonably high) even though the capital is small.

The term capital used in the above terms of capital turnover rate and capital profit rate should mean both fixed capital and current capital. This is because the capital invested on fixed assets should generate economic benefits and should not be ignored. Also, when we say capital turnover rate and capital profit rate are the main yardsticks for measuring the management standard of a commercial enterprise, our major consideration is based on the aspects of economic results and economic management. In addition to these two economic indices, whether the enterprise can maintain a good supply of commodities for the market, satisfy the needs of the masses, provide support services to industrial and agricultural production and give good service to consumers and so forth should also be taken into account when assessing the management standard of a commercial enterprise.

The three problems above are concrete problems related to the raising of the management standard of commercial enterprises and are the crux of the whole issue. It is hoped that the problems can bring about discussion and thus help raise the management standard of commercial enterprises.

## ECONOMIC PLANNING

### ECONOMIC JOURNAL DISCUSSES ECONOMIC MANAGEMENT

HK030716 Beijing JINGJI GUANLI in Chinese No 11, 25 Nov 79 pp 9-10 HK

[Article by Xue Muqiao [5643 2550 2890]: "How To Carry Out Planning Management of the Socialist Economy"]

[Text] A basic theoretical problem encountered in reforming the economic management system is how to understand the planned management of the socialist economy. The capitalist economy was once regarded as being characterized by anarchy in production, while all activities of the socialist economy must be carried out according to the state's plan. It now seems that this assertion is wrong. The capitalist economy has come under the state intervention since the end of World War II. The state predicts the situations of the market and adjust it to a certain degree through its financial role. The planned socialist economy must also make use of the roles of the market and the law of value. Thus the two different economic systems abide by the same law. Socialized mass production must be carried out in a planned way and as long as the relations of commodities and currency exist, it is imperative to make use of the market and the law of value. The planned socialist economy is more advanced than the capitalist economy. But the planning of the socialist economy will not work if we simply resort to administrative management of the economy or if we fail to make use of the market and the law of value.

With public ownership of the socialist means of production it is possible to carry out planned management. But the planning can only direct the orientation of the development and major proportions of the economy; it cannot define the details, otherwise it will hinder the economy from developing. Planning management will help the economy develop rapidly and proportionately, while wrong planning will cause the economy to get out of balance, make it develop slowly or even make it regress. The imbalance of our economy begun to emerge as far back as the First Five-Year Plan period, when we concentrated our efforts in developing heavy industry and did not pay much attention to agriculture. Industry developed, urban population increased and agriculture was squeezed aside. In view of short supplies of goods, various measures were taken to deal with this problem. These measures included requisition by purchase, the state monopoly for purchase and exclusive selling rights, purchase according to assignment, rationing and planned distribution. These measures covered up the imbalance of the economy. The more the economy



became out of balance, the more measures were taken to control it, only to worsen the situation. The road of our economy has become more and more narrow over the past 30 years. Eighty percent of our population are engaged in agricultural production, yet we still have to import various farm products to insure the lives of the people.

The basic shortcoming in our management system is that interrelations of economic activities have been cut by administrative management. The result is that "manpower and property are under control while production, supplies and sales are divorced from each other," and the relations among economic departments (agriculture, industry and commerce and within industrial departments) have been cut. To put each region under administrative management will only isolate the regions from each other. Khrushchev once set up over 100 economic zones, only to meet failure. Capitalism has developed multinational companies and a common market. We will go against the laws of economic development if all our provinces and counties cut themselves off from each other.

The basic way to reform the management system is to manage the economy according to the laws of its development. In carrying out socialized mass production it is imperative to realize cooperation between trades and regions and even cooperation with other countries. Therefore, it is necessary to expand the enterprises' rights of management and to restructure our economy so as to meet the needs of the development of the economy. Enterprises must be in a position to manage their manpower and property and production, supply and sales. They may directly contact each other without having to report to administrative leadership. Of course, this method will meet with obstacles and it is difficult to broaden people's thinking.

To expand the rights of enterprises does not mean to deny unified planning. I am sceptical about formulating plans from bottom to top. How can the plans worked out by each enterprise insure that our economy will be in comprehensive balance? The plans worked out by basic levels will no doubt be revised each time they are discussed by different higher levels. Revisions of the plans will seriously affect the contracts of enterprises. I suggest that the central government works out a unified economic plan. The function of this plan is to guide the orientation of the development of the economy. Its function of fixing quotas will be gradually decreased, so that the quotas will serve just as a reference. What if an enterprise refuses to carry out the plan? The first measure is consultation, to be followed by economic measures such as tax, prices of goods and credits. Administrative orders can only be exercised as final measures.

Enterprises must be empowered to manage their "manpower and property." The present system in which distribution of manpower is done by labor departments must be reformed. I suggest that people should themselves apply for jobs, be examined, and recruited according to their examination results. They should be allowed to "choose their spouse freely." Some people have made an additional suggestion of "freedom of divorce." [HK030727] The present personnel management system has made it impossible for useful people to join an enterprise and for useless ones to leave it. How then can the

enterprises raise their productivity? Countless talents have been stifled by this system. In foreign countries, people from 30 to 40 years old are able to work with great achievements, but in our country they can only do routine work. Our enterprises must, therefore, have the rights of self-determination with regard to the use of their staff while individuals must have a certain degree of rights to choose their job.

It is impossible to unify the wage system throughout the country. Various subsidies and reservation of wages for those who are transferred to other enterprises have resulted in a dozen wage standards even in a single factory. And because wages can only be increased and not otherwise, it is impossible to carry out the principle of distribution according to work. We should consider letting labor departments unify wage standards and calculate total wages for an enterprise according to work norms. The enterprise will then arrange by itself the total wages, and the wages of its staff may be increased or decreased. Those who do not agree to have their wages decreased may look for another job in another enterprise. This measure will help break the "iron rice bowl" system, under which an enterprise can only add more staff while the staff can only have their wages increased.

Financial rights, including the use of fixed assets with rewards and the setting up of enterprises' funds, have been much talked about. Therefore, I am not going to talk about these rights.

The rights of handling goods, the state monopoly in purchase and exclusive selling rights must be changed into selective purchase, with sales totally handled by the buyers themselves. The producers must directly sign contracts with the sellers. And factories are permitted to sell their products not purchased by commercial departments at prices fixed by the factories themselves. All enterprises, commercial departments and people's communes are under control to prevent them from increasing prices by themselves, not from lowering prices. This measure involves price policy. Commercial departments are responsible for supplying the cities and supply and marketing cooperatives, and people's communes must also be permitted to sell their goods to the cities. Thus with more channels for the flow of goods and less circulation links, the economy will become more lively. Will this practice shake the socialist unified markets? The answer is no. Some major products are purchased by commercial departments according to plan and are circulated throughout the country. Enterprises and people's communes are not in the position to do this. The question is that this must not be monopolized by commercial departments. A certain degree of competition must be allowed so as to combine production with demand and to prevent bureaucracy.

To expand the enterprises' rights of self-determination does not mean to negate management. Those who want to shift to another job have to register so as to avoid blind competition. Supply and marketing cooperatives must be organized to coordinate. New products must be exhibited and advertised. Overstocked products must be sold within a limited period; if the products are not sold during this period, they can be sold at reduced prices.

There have been cries of discontent over distribution of goods, but we cannot blame the departments concerned alone. Breaches in distribution plans also have caused improper distribution, which causes a number of obstacles. A large quantity of rolled steels and machine tools are overstocked yet the users-to-be cannot purchase them. Why?

A number of problems in our industry are yet to be studied. Who should direct the formation of companies embracing different trades and regions? What is the ownership of these companies? Is it ownership by the whole people, by "the departments," "the regions," or "the enterprises?" What are the relations between enterprises, leading business departments and local governments? Factory regulations cannot be formed before these problems are solved.

When I was visiting Wuxi to cover some stories I was told by more than 20 comrades of the Shanghai industrial departments that the State Planning Commission and the Ministries of Finance and Foreign Trade find themselves in difficulties in carrying out their tasks. These central government departments are comprehensive organs with responsibilities spreading throughout the country. They have to exercise controls and yet they become targets of public criticism once they control too strictly. These departments once exercised their controls too much and also too loosely. I suggest that they lessen their controls. For example, let cultural and educational departments, health departments and scientific and research departments manage themselves. The control on foreign exchange in foreign trade is not in line with the purpose of using the trade itself. Localities and enterprises may be empowered to manage some aspects with regard to foreign exchange under the guidance of the Ministry of Foreign Trade.

At present there is no one to study the research management system for business departments. A number of technicians in research and designing institutes have nothing to do. We are short of machinery and equipment, yet some of them are idle, and we are also short of technicians, while some of them have nothing to do. [HK030729] It is possible to make the best use of talents and everything under the socialist system. But our present situation is to the contrary; it is even lagging behind capitalism. We must study this situation because people and property are two major factors of productive forces. What does it mean to let productive forces lie idle, to emancipate them or to bind them?

When we reform the management system, we must be ready to take chances because in reforming the system confusion may arise. But we can find contradictions and find out new ways from confusion. West Germany and Yugoslavia carried out their reforms in this way. We will do our reforms even better if we do the work systematically. We must avoid big confusion but we must not be afraid to face small confusion. Therefore, a region or an enterprise can carry out bold experiments in their reforms. Major reforms must not be popularized before experiments are made and experience gained.

## ECONOMIC PLANNING

### PRC ECONOMIC JOURNAL EXPLAINS WHY MANAGEMENT IS BACKWARD

HK180902 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 12,  
25 Dec 79 pp 46-49 HK

[Article by Wu Jiajun [0702 1367 7486]: "Why Is It That Our Country's Industrial and Enterprise Management Is Backward?"]

[Text] We have mastered national modern industries for 30 years. The total number of industrial enterprises has grown from 120,000 during the initial stage after liberation to the present 350,000, and the level of modernization has also been very substantially raised. Along with the development of productive forces, the expansion of the production scale and the raising of the degree of socialization, enterprises management is also continuously being improved. However, presently our country's level of industrial and enterprises management is still very low; it is extremely incompatible with the requirements of the development of productive forces. Everyone is far from satisfied with the present state of our country's industrial and enterprises management and it is generally felt that our management is backward. What are the reasons for the backwardness in management? Why is it that we have long been unable to alter this sort of backward situation? People's views on this issue are quite different. If we cannot achieve unified understanding, then we are inclined to wait passively or put the blame on other people, and this is not favorable for quickly and effectively altering the situation of backwardness in management.

One opinion is that the backwardness in enterprises management is mainly due to backwardness in the means of management, so that in order to change this backward situation, large quantities of modern means of management like computers must be imported.

This sort of opinion is questionable. Are computers important for modern industrial-production management? Of course they are very important. The development of modern science and technology has enabled enterprise management to be gradually extended from the organization of labor to the area of production techniques and technological processes, permeating through this area. The place and function of technology management in our enterprise running and management have become more and more marked. In our country's industrial modernization and construction process the use of computers has very wide prospects. However, at the present stage of our country's



industrial development, due to the limitations of technology and economic conditions, it is still impossible to widely use computers. If the accomplishment of modernization in management is just viewed as computerization then it is easy to feel handicapped and wait passively for results. As a matter of fact, even for countries whose economic development level is relatively high and whose industrial technology is relatively advanced, achieving modernization in management does not mean relying solely on computers. Concurrently with the adoption of modern means of management, they pay great attention to improving management organization and perfecting management methods. The sort of superstitious thinking of believing computers to be omnipotent is not only useless but even harmful to modernization in management. The use of computers can of course raise management standards; however, it must have the prerequisite of the existence of a certain management standard. If the management standard is very low, the organizing work is very backward, the management method is far from being scientific, comprehensive and systematic statistics and numerical data are unavailable, and even original records are inaccurate, then even if computers are available, their function cannot be really brought into play.

Another opinion thinks the main reason for our backwardness in management is that during the initial period after liberation we had learned from the Soviet system of enterprises management; we were influenced by the Soviet Union and have managed enterprises very rigidly.

This sort of opinion is also questionable. The Soviet system of enterprises management method does have many problems and has greatly influenced our country's industrial-enterprises management. But this too is not the basic cause of the backwardness of our country's enterprises management. The Soviet enterprises management method itself is one divided into two. In the one hand it has its defects, for example, plans which are too rigid, no attention to the use of economic means to adjust economic development and enterprises management, enterprises management methods which are too tedious and trifling and so on. But it also has a scientific aspect. After years of effort and repeated trial and error, Lenin and Stalin, in the process of leading the Soviet Union's socialist industrialization, strengthened the planning of the enterprises' productive and economic activities, implemented economic accounting, made efforts to lower costs, established systems of duty performance, initiated socialist labor emulation campaigns, implemented distribution according to work, raised labor productivity, initiated the socialist labor protection system, strengthened labor discipline and so on, and thus an enterprises management system and method that basically suited the requirements of socialized large-scale production was established. If we consider the dominant aspect, the fact that we learned the Soviet enterprise management methods during the initial post-liberation period does not mean it is an obstacle to our country's large-scale economic construction; it had a positive, enhancing effect. Of course this does not mean there are no problems with the Soviet Union's enterprise management. For years they have been going on with their restructuring, and still have not been able to achieve a breakthrough in the situation of excessively rigid centralized management. But the problem is not whether they have solved their enterprise management problems. The problem is why we have stuck to the same system and methods and have never made any alterations for two decades? This forces us to look at ourselves for the root of the problem.

[HK180915] How can we look for the causes of the long existing backwardness in our enterprise management in ourselves? I think we should look for them by examining our essence and the guiding ideologies. If guiding ideologies are not scientific and modern then it is impossible to achieve scientific and modernized management. This is exactly the fact. The main cause of backwardness in our country's enterprise management is not the backwardness in the means of management and not the constraint of Soviet management methods. The key is the backwardness in the guiding ideology concerning enterprise management.

How was our ideology concerning enterprises management formed, and what are its basic characteristics?

It is necessary to take a brief look at history in order to answer this question. That our party grasps industrial enterprise management work is not something which started after national liberation. As early as the second revolutionary civil war period, industrial production began to be developed in Jiangxi's central Soviet area; at that time there were few publicly owned enterprises. After 1938, during the war of resistance against Japan, the building and development of publicly owned industries began to be stressed in the Shaanxi-Gansu-Ningxia border region. By 1942 there were more than 60 public enterprises with a 4,000-strong staff, and considerable success had been achieved. After the victory of the war of resistance against Japan, in the liberation war period, modern industries were gradually developed along with the liberation of some industrial cities.

A simple look at this history clearly shows that our management ideology and experience which took shape during the democratic revolution period have the following several characteristics:

#### I. Having a Fine Revolutionary Tradition

The industries in the revolutionary base were developed to provide for the needs of the army and people during the revolutionary war. They were developed and built in conjunction with the party-led revolutionary army and revolutionary bases. Under the leadership of the party, production had to be developed with effort to keep up the revolutionary war. Therefore, the guiding ideology had many [word indistinct], namely, the relation between revolution and production was very clear-cut the revolutionary spirit of struggling hard, making do with whatever was available and self-reliance were very high. Practicing democracy in the three main fields (that is political, economic and management democracy) and having the revolutionary style of unity between officers and men, between the army and the people characteristic of the revolutionary ranks existed. These were actually what Comrade Mao Zedong later summed up as leadership by the party, putting politics in command and the mass line. These fine revolutionary traditions which were relatively successful brought the masses' initiative in revolution and production into play.

## II. Adoption of the Supply System--A System of Payment in Kind

At that time the revolutionary bases were in war-time circumstances. They were blockaded and economic conditions very adverse. The party and administrative agencies of the army and revolutionary bases practiced the supply system, so basically the factories were also subjected to the supply system. Although at that time Comrade Mao Zedong proposed the guiding ideology concerning economic work such as strengthening planning, practicing the move towards building enterprises and establishing an economic accounting system, due to the limitation of material constraints and to the fact that the industrial enterprises existed in the social circumstances of the supply system, the enterprises management work at that time lacked the necessary economic accounting and not much attention was paid to economic effects.

## III. The Small-scale-production Mode of Running and Management

At that time the industries in the revolutionary bases were mainly handicraft industries, and they existed in the rural environment. The influence of the individual economy--every family being a production unit--was very great, and the modes of operation and management methods of small-scale production were quite popular. This kind of operation and management thinking peculiar to small-scale production as well as the style of operation geared to the habit of "small and complete" are extremely incompatible with the requirements of socialized large-scale production. As Marx pointed out in "Das Kapital": "This mode of production has the prerequisite of scattered land and other means of production. While it precludes the accumulation of means of production, it also precludes cooperation, the division of labor within the same production process, society's rule over and manipulation of nature, as well as the free growth of society's productive forces."

## IV. Developing a Self-sufficient Economy

At that time the government started many self-sufficient industries, and Comrade Mao Zedong said: "This sort of self-sufficient economy developed by the army, agencies and schools is a special product of the special conditions existing at present; it is irrational and incomprehensible under other historical conditions. But at present it is absolutely rational and necessary." ("The Economic and Financial Problems in the War-of-Resistance Against-Japan Period.") This sort of self-sufficient economy helped us overcome hardships. However, under the influence of this sort of self-sufficient natural economic thought, the commodity-economy concept is very weak, not much attention is paid to issues in the domain of distribution, and the functioning of the law of value and the regulating function of markets are easily neglected.

Such management thinking and habit, formed over a long period of time, has always exerted tremendous influence on our enterprises management. We must earnestly solve the problems of how to carry forward the revolutionary tradition, eliminate the influence of backward and small-scale production and really combine well the revolutionary tradition and modern socialized production conditions.

After the liberation of the whole country we carried out democratic restructuring and production restructuring for the bureaucrat-capitalist enterprises taken over from the enemy and quickly altered the enterprises' organization and operation, management system. After the consummation of the socialist transformation of the system of ownership, we carried out planned management for all enterprises and carried forward the revolutionary tradition continually to meet the needs of socialized production and enable the enterprises management system and methods to go constantly towards perfection, speedily advancing in the direction of combining revolutionization with modernization. However, the research on and the assimilation of those management methods which met the requirements of large-scale production and which were scientific were inadequate; later some criticism and denunciation campaigns related to several issues directly concerned with enterprises management were launched, relapses occurred a number of times in our enterprises management and this made it impossible to relatively speedily combine the revolutionary tradition with the conditions for socialized large-scale production and to formulate a set of scientific enterprises management methods appropriate to our country's conditions. The several criticism and denunciation campaigns were as follows:

I. The Criticism and Denunciation of the System of One-man Leadership, Negating the Function of Specialists and a Strict System of Job Responsibility

Marx and Engels had reasoned many times that joint labor and socialized production must be under the command of a unified will and there must be an authority. This unified will was to be realized through a person or a committee. Engels pointed out in the article "On Authority": The carrying out of productive activities needs a will in command, and "it is the same whether this will is realized through a representative or through a committee responsible for carrying out the resolution of the majority of the people concerned." Here Engels conspicuously stressed that the essence of the matter is that there must exist a unified will, one represented by one person or a committee.

Lenin further derived the conclusion from the practice of the Soviet Union's socialist construction that the system of one-man leadership must be implemented and established as a principle in management. He said: "Even under the most favorable conditions the system of collective management will waste a lot of manpower and cannot guarantee the working speed and the degree of accuracy of work that is required by the environment of concentrated, large-scale industries." He also pointed out: "The arguments for a collective system are often permeated with a benighted spirit, namely a spirit against specialists." Thus, Lenin deemed the collective management system as an early, embryonic form and the system of one-man leadership as the matured, higher form. Stalin regarded the availability of large numbers of specialists proficient in technology and business as the prerequisite for implementing the system of one-man leadership. He pointed out, as long as "there are not enough qualified personnel among the Bolsheviks well versed in technology, economy and finance, we will not have a genuine system of one-man leadership." It is because in order to implement this system an enterprise's leading



cadres must be able to handle all sorts of problems promptly, decisively and opportunely. At the same time, since the duties are clear, it will be impossible to shift responsibilities to or rely on others in any business, and so the promotion of work efficiency is enhanced and large numbers of management cadres can be trained and perfected. Therefore, in the practice of the Soviet Union's socialist industrialization construction, the system of one-man leadership not only became an important system for the effective management of modern industrial enterprises but also became a very important factor for promoting the rapid maturing of specialists proficient in technology and business.

[HK180940] In the initial period after the founding of our people's republic some of our country's enterprises practiced the system of one-man leadership, strengthened the system of job responsibility, enhanced the promotion of the management standard of leading cadres and gradually established an enterprises management system suited to the needs of socialized production. Of course, in the course of practicing the system of one-man leadership some defects occurred, for instance, not adequately keeping up democracy, neglecting to bring the collective wisdom into play, some leading cadres showing the bureaucratic style of dictatorship, not following the mass line, and so on. But when we tried to solve these problems we did not proceed from the characteristics of modernized industrial production, making sure that the leading cadres of the enterprises could correctly carry out their duties by enhancing their ideological understanding and improving their work style along with strengthening democratic management. On the other hand, we radically negated, criticized and denounced the system of one-man leadership. Although this system could be gotten rid of through criticism and denunciation, the objective requirement for a unified command in socialized large-scale production could not be. Consequently, in many situations the system of the factory director's one-man leadership became the system of the secretary's one-man leadership; the system of a professional's one-man leadership became the system of a layman's one-man leadership; and a strict system of job responsibility became a situation where duties were not clearly defined and responsibilities were not assumed by anyone. As a result, the party's work was weakened, the function of specialists neglected, the bureaucratic style of not carrying forward democracy and not following the mass line were not altered, the standard of management was not raised but lowered and the maturing of management cadres was not hastened but slowed down.

#### 11. The Criticism and Denunciation of the 70 Regulations Regarding Industry Negated Scientific Management System

In 1961, the party Central Committee issued the draft of "The Working Regulations Regarding State Industrial Enterprises" (that is, the 70 regulations regarding state industry). This draft systematically summed up the experience of our country's industrial enterprises management in the 1950's; in particular it summed up the enterprises management experience after 1958. For one thing it stressed the party committee's collective leadership, and for another it stressed the system of the factory director's responsibilities in the field of administration and management. It established the system in which the factory director was responsible for the unified command over

production and administration. For one thing it stressed reliance on the masses and the launching of a mighty and vigorous mass movement. It also stressed practicing a strict system of job responsibility and specialization in management duties to establish a normal production order. It stressed doing away with superstition, emancipating people's minds and respecting science and doing things according to the requirements of objective economic and technological laws. It stressed strengthening political and ideological work, providing communist ideological education for the staff and masses, and it stressed the principle of distribution according to work, a concern for the masses' livelihood and the combination of spiritual encouragement and material rewards. On the whole, this draft of regulation in a relatively adequate way, reflected the objective requirements for the growth and development of the productive forces, and relatively well materialized socialism's production relations. It preliminarily formed a relatively complete and scientific enterprises management system, advancing an important step on the road of combining the revolutionary tradition with the conditions of modernized industrial production. Within the short span of 3 or 4 years of trial implementation of this draft, the situation of our country's industrial enterprises changed drastically; the total value of industrial production leapt forward at an average annual rate of 18 percent.

However, during the Great Cultural Revolution, a newspaper of a certain place took the lead, published long series of articles and attacked the 70 regulations, saying that they were "a sinister program for restoring capitalism," and "a typical product of the counterrevolutionary revisionist line." This radically negated the correct principles for enterprises management stipulated in the 70 regulations. This sabotaged the scientific management system we had just established and led to major relapses and regression in our country's industrial enterprises management.

### [HK180950] III. Criticism and Denunciation of "Meddling, Blocking and Suppressing," Negated Reasonable Rules and Regulations

The slogan "oppose meddling, blocking, suppressing" was invented under the banner of criticizing and denouncing the bourgeoisie. But this slogan itself was not scientific; in fact it did not reveal the class nature of capitalist enterprises management. The philosophy of capitalism is "management for the sake of plundering" and "management as a means of plundering." Its essence is exploitation. Using the slogan "oppose meddling, blocking and suppressing" to criticize and denounce capitalist management obviously fails to hit at its vital point. Actually, the reason why the "gang of four" raised the so-called "meddling, blocking and suppressing" issue was to use it as a weapon against developing the national economy to serve their conspiracy of usurping the party and seizing power. They shouted the slogan "oppose meddling, blocking and suppressing" to radically negate management. They said: "All rules and regulations are revisionism; destroy them thoroughly without reservation." Whoever mentioned rectifying and strengthening enterprises management or mentioned establishing, perfecting reasonable rules and regulations was labeled practicing 'meddling, blocking and suppressing' and practicing "the dictatorship of the bourgeoisie" against the workers and the masses. Consequently, people's thinking was confused and reasonable rules and

regulations were negated. There were no rules for the enterprises to follow or there were rules and regulations but they were not followed. Organization was loose and inarticulate, chaos and disorder prevailed, accidents became more frequent and production declined. In reality enterprises management was abolished.

On the whole, after we had mastered our country's modern industries on a full scale, we did not steadfastly and invariably persist in carrying forward the fine revolutionary tradition of the past, and we did not alter the influence of the past supply system ideology and habits of small-scale production operation to meet the needs of socialized large-scale production along with the growth of productive forces. On the other hand, on many issues we violated the requirements of economic and natural laws so that for a long time the management standard could not be raised. Especially when the "gang of four" pursued the "ultraleftist" line, vigorously practiced phony politics and used bourgeois politics to pound at proletarian politics, the party's fine tradition was damaged, the enterprises' leading cadres and management personnel could not grasp production and management, the basic work in enterprise management was sabotaged and the economic benefits of the staff were not taken seriously. When they worked there was no distinction between doing the work well and doing it badly, between making efforts and making no efforts, and the socialist enthusiasm of the broad masses of people was seriously dampened. When things were done this way, how could enterprise management not become backward?

The industrial enterprises' productive economic activities exist within the entire society's economic life. Whether enterprises are well managed is closely related to the management system of an industry or even the overall national economy; it is not just the enterprises' internal problem. The problem of restructuring enterprise management must be resolved in the context of the general situation of restructuring the whole national economy. To restructure the whole national economy it is also very important to carry forward the fine revolutionary tradition, eradicate the supply-system ideology and eradicate the economic thought and operation habits of the self-sufficient economy and small-scale production.

CSO: 4006

## ECONOMIC PLANNING

### HONG KONG PAPER ON INDUSTRIAL DEVELOPMENT PLAN FOR FUJIAN

HK290141 Hong Kong SOUTH CHINA MORNING POST in English 29 Jan 80 p 7 HK

[Article by Victor Su]

[Text] Fujian provincial authorities' proposal to designate a small island at the mouth of Ming River as a special "industrial and international trade zone," has a greater significance than would appear on the surface.

The authorities reportedly are prepared to discuss terms--among these the sensitive topic of the duration of contracts or leases--which, if accepted, could be used as a yardstick or guidance for future co-operation with the outside world in trade and industry.

Since the concept was disclosed by Vice-Governor Zhang Yi during his recent visit to Hong Kong, the governor of Fujian, Mr Ma Xinyuan, has received enthusiastic responses from Canada, Italy, Japan and other countries.

A local businessman who in the past has shown keen interests in investment in Shumchun and nearby Chinese territories was received by the provincial party first secretary, Mr Liao Zhigao, over his proposal to develop Lang Qi.

The most aggressive proposal came from Japan.

It seeks some sort of a lease agreement with a duration of about 100 years--an ambitious suggestion which is hardly likely to be accepted.

A less ambitious proposal has come from a group that envisages a 20-year plan in which to amortise total Overseas Chinese or foreign financial investment.

Such a suggestion, if accepted, will have far-reaching consequences--particularly where Hong Kong is concerned.



For, if the 20-year amortisation proposal is accepted, it visualises the completion of contracts by the year 2000, if the relative documents are signed right now.

That date, "the year 2000" will have a great meaning for the new territories lease which is due to expire in 1997.

This suggestion came at a time when Peking was reported to have approved in principle a scheme to build an international airport on the Chinese side of Deep Bay with a 15-year compensation trade repayment plan and another 10-year option to operate the airport.

If this plan were to be accepted by Britain this year, the project will be under joint Chinese, Hong Kong and foreign control up to the year 2005—again provided the agreement is signed this year.

And only recently, China authorised its state-owned China Merchants Steam Navigation Co. Ltd of Hong Kong to invest and develop the Shekou District, also on the Chinese side of Deep Bay, again with the idea of awarding joint venture contracts of durations averaging 25 years.

That again will bring the operations up to the year 2005.

China has always affirmed its position on the legality of both the Nanking and Peking treaties which ceded Hong Kong and southern Kowloon to Britain and which subsequently leased the new territories to Britain on a 99-year term, expiring in 1997.

This position was made clear at the United Nations when the then Chinese permanent representative, Mr Huang Hua (now China's foreign minister), categorically declared in the early 1970s that China was not bound by these treaties and that China would discuss the problems with Britain--and Portugal over Macao--"when the time is ripe."

This is the position China has taken over the years and there has been no deviation.

However, there has been a great deal of action--such as the acquisition of property in Hong Kong by China and China-related organisations.

In past years, it was the practice of China's state-owned agencies here to remit the earnings back to China instead of retaining them for reinvestment here.

There appears to be a recent shift in this policy.

And the projected 25-year airport programme on the Chinese side of Deep Bay or the 20-year proposal to develop Lang Qi Island will certainly amount to a Chinese seal of approval that would render the expiration

of the 1997 new territories lease somewhat "meaningless," according to one analysis.

Lang Qi is a relatively flat island with a total area of 28 sq miles or 17,783 acres.

It is 18 miles east of the provincial capital city of Fuzhou and there is a population of about 58,000 people.

Most of them are peanut and melon farmers on the relatively sandy island.

Almost half of the island is flatland, the rest being dotted with hills averaging 100 to 500 ft in height that can easily be excavated or used for developing light industrial plants and dormitories for workers.

It takes 40 minutes to travel from Fuzhou to Lang Qi by car or only 20 minutes from the port of Ma Mei (Horse Tail), for centuries used as a port for international trade and naval base.

Ma Mei is still known as the home of technicians and craftsmen for shipbuilding.

Nevertheless, Lang Qi possesses the potential for being developed into an excellent port thereby saving considerable transport costs.

There is an initial proposal that calls for a minimum capital investment of HK\$1.77 billion to provide employment for 62,000 industrial workers.

It is also anticipated that the island will eventually provide employment for 780,000 industrial workers.

Other investments during the 20-year compensation trade arrangement will include \$7.8 billion for modern machinery and equipment, an additional \$3.64 billion to house workers and their families, \$520 million for motor transport to the island, \$2.6 billion for a centralised air-conditioning system in the semi-tropical island and \$4.8 billion for road improvement, an airstrip and/or a heliport.

All these are tentative figures, based on Hong Kong dollars.

They will need constant revision due to the worldwide inflationary trend for imported goods.

CSO: 4020

## GENERAL ECONOMIC INFORMATION

### BRIEFS

**FUJIAN PREFECTURE INDUSTRY**--In 1979, the total value of industrial output in Putian Prefecture reached 447 million yuan, earning a profit of 44 million yuan. After the smashing of the "gang of four," in the past 3 years, the total value of industrial output increased by 100 percent while profits increased by 500 percent. In the past 3 years the prefecture has not built any new factories. The increase in profits was attributable to tapping potentials and transformation. In 1979, the output value of the light and handicraft industry throughout the prefecture increased by 21.6 percent over 1978, accounting for 84 percent of the total value of industrial output. During the same year, the light and handicraft industry had added 140 new products. As a result, export of the light and handicraft industry throughout the prefecture accounted for two-thirds of the total value of foreign trade, an increase of 130 percent over 1976. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 13 Jan 80 HK]

**LIAONING ECONOMIC BOOM**--Shenyang, Feb 5--Bigger supplies of meat, more new housing and a good harvest are among the achievements reflected in official figures from China's most industrialized province, Liaoning, for 1979. This was the first year under the country's policy of economic readjustment. Shops, fairs, stalls and restaurants in all parts of Liaoning reported booming trade for the first time in many years, with more consumer goods coming on to the market. Meat rationing has been cancelled, and pork is being sold at state-owned shops and rural fairs at about the same price. Vegetable supplies have been good all year, despite severe cold for 4 months, and many favourite local foods have reappeared. Eggs, poultry, fish and fruit are more than before. New housing is among the province's top priorities and 80,000 families moved into their new homes before the New Year's Day. A good harvest was brought in despite water-logging, drought and cold weather and the estimated grain harvest was 10.9 million tons. Per capital income for the rural areas increased by 14 percent to 104 yuan. Liaoning had a 5.9 percent increase in industrial output value last year, although 233 factories and plants were closed, merged, suspended production or were converted for making other products under the readjustment policy. Liaoning's light industrial output value totalled 11,200 million yuan, a 9.2 percent increase over 1978. [Beijing XINHUA in English 0820 GMT 5 Feb 80 OW]

SHANGHAI COLD WAVE--Temperatures in Shanghai have dropped drastically in the past 2 days. Cadres and workers of the Shanghai Public Transport Company have worked hard to prevent mechanical failures due to the cold wave and to insure the prompt dispatch of buses and streetcars. The Municipal Gas Supply Company has taken emergency measures to meet the residents' needs for gas during the cold spell. Gas supplies for Shanghai residents on 30 January reached 2.97 million cubic meters, an all-time high. On 30 January, (Jiang Yutian), (Fu Deming) and (Wu Shijun), respectively, commander, deputy commander and deputy political commissar of the PLA air force units in Shanghai, led office cadres in building a bus stop at a bus station amid wind and snow. [OW030404 Shanghai City Service in Mandarin 2300 GMT 31 Jan 80 OW]

CSO: 4006



## FINANCE AND BANKING

### BRIEFS

FUJIAN BONDS ISSUE--Fuzhou, 29 Jan--The Investment and Enterprise Corporation of Fujian Province began the issue of bonds this month to draw capital for economic construction in the province. Bearer bonds and order bonds are issued in denominations of 500 yuan, 5,000 yuan and 50,000 yuan with 8, 10 and 12 year terms. The 8-year bonds have an interest rate of 6 percent annually, 10-year bonds 7 percent and 12-year bonds 8 percent. The interest will be paid in January every year without income tax. The bonds are issued through the Fuzhou Bank of China. In Hong Kong, they are handled by the Hong Kong Bank of China and other entrusted banks. Fujian Provincial Investment and Enterprise Corporation was established last January with the authority of the State Council. [Beijing XINHUA in English 0248 GMT 29 Jan 80 OW]

CSO: 4020

## FUELS AND POWER

### BRIEFS

SHANGHAI ENERGY CONSERVATION MEETING--A meeting on exchange of experience in energy conservation was held in Shanghai on 31 January. Chen Jinhua, deputy secretary of the Shanghai municipal CCP committee and vice mayor of Shanghai, presided over the meeting. Han Zheyi, secretary of the municipal party committee and vice mayor of Shanghai municipal economic committee, planning committee and trade union council. In 1979, Shanghai municipality saved 470 million kilowatt-hours of electricity, 680,000 dun of coal, 120,000 dun of coke and 160,000 dun of fuel oil, the meeting pointed out. The participants pledged to achieve still better results in energy conservation to greet China's second "energy conservation month" scheduled for November 1980. [Shanghai City Service in Mandarin 1130 GMT 31 Jan 80 OW]

CSO: 4006

## MINERAL RESOURCES

### THE STATUS OF NUCLEAR POWER IN THE WORLD REVIEWED

Beijing BEIJING RIBAO in Chinese 6 Dec 79 p 3

[Article by Wang Lianzhi [3769 6647 1807]: "Nuclear Energy and World Uranium Resources"]

[Text] Nuclear energy is energy released from nuclear fuel through nuclear reaction. Since the 1970's, as the capitalist world was plunged into an energy crisis centered around petroleum, people are paying more and more attention to nuclear energy.

The most outstanding advantage of nuclear energy lies in the high concentration of energy. In the course of fission, the amount of energy released by 1 kilogram of uranium 235 is equivalent to the amount of energy produced by burning 2,500 tons of high quality coal or 1,000 tons of petroleum. A 1 million kilowatt thermal power station consumes 4 million tons of coal each year, whereas a nuclear power station only needs several tens of tons of nuclear fuel.

Electricity generation is one of the chief uses of nuclear energy. The cost of nuclear generated electricity is lower than electricity produced from oil or coal. For example, in the United States, the per watt cost of electricity in 1978 was 1.5 cents for nuclear generated electricity, 4 cents for electricity produced by petroleum thermal power plants, and 7.3 cents for electricity from coal thermal power plants. Compared against the preceding year, the cost of nuclear electricity remained stable, while the cost of electricity generated from oil and coal went up. At present, 22 countries around the world have 218 nuclear power stations, the installed capacity of which totals 120 million kilowatts. In additions, some 700 nuclear power stations with total installed capacity of 600 million kilowatts are under construction or planning by altogether 43 countries and regions. In 1970, nuclear electricity in the United States was only 1.5 percent of the total electricity; by 1978, it had already reached 12.5 percent. Based on the current trend of development, by the end of this century, nuclear electricity may become 1/3. In France today, nuclear electricity already accounts for 1/4 of the total electric power. Poor in natural resources, Japan has made plans for developing electric power

from 1979 through 1986, during which the proportion of petroleum generated electricity will be greatly reduced from 52 percent of 1978 to 36 percent, and the proportion of nuclear electricity will be increased from 10.8 percent to 16.8 percent. In Sweden, Switzerland, England, Belgium and West Germany, the proportions of nuclear electricity also fall within the range of 10-25 percent. If a better means of controlling can be found to eliminate the hazards of radioactive pollution, there are bound to be greater developments in nuclear electricity.

At present, the nuclear power stations in the world are first generation nuclear stations built on the basis of 30 years of research efforts. Such power stations all use uranium 235 as starting fuel. However, there are no rich land deposits of uranium on earth. According to estimations made by related organizations in the West, the world has 9.9 million to 21.1 million tons of potential uranium resources. As uranium is radioactive, strict conditions are required in mining. Moreover, there is only a small portion of uranium mineral on land that is worth mining. If the maximum cost of uranium is limited to within \$130 per kilogram, then the whole world can only afford to mine approximately 2.2 million tons of uranium resources (of which, the United States has 643,000 tons, South Africa has 348,000 tons, Australia has 296,000 tons, Canada 183,000 tons, Niger 160,000 tons). But based on the current demand for uranium, the land uranium resources of the whole world can supply the needs of man for at least half a century. Moreover, through their research, scientists have found out that in the course of consumption, nuclear fuels can produce new nuclear fuels, thus materializing the multiplication of nuclear fuel, and greatly expanding the sources of nuclear energy. What is more, the vast and boundless seas also abound in uranium awaiting research and utilization. Thus, it is predicted that nuclear energy will be one of the chief sources of energy in the 21st Century.

Our country is also endowed with conditions that are conducive to the development of nuclear energy. Recently, a medium scale uranium mine was discovered in the old strata of the northeastern part of our country. In his government report at the First Session of the Fifth National People's Congress, Chairman Hua proposed to "build atomic energy power stations" in our country. As we advance towards the four modernizations, our own nuclear power stations are certain to appear and work for the well-being of the Chinese people.

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CSO: 4006



## MINERAL RESOURCES

### BRIEFS

**MAJOR URANIUM FIND REPORTED**--Chinese geologists have found a major uranium deposit in mesozoic granite. The entire deposit covers an area of some 200 square kilometers and has approximately 100 veins of uranium running through it. Not only is it on an extensive scale with good long-range prospects, the composition of the ore is simple and transportation convenient; extraction and dressing would be easy. Partial production is already underway. The discovery and exploitation of this major uranium deposit has great significance in the development of China's nuclear energy industry. [Tianjin TIANJIN RIBAO in Chinese 6 Dec 79 p 4]

**NINGXIA GYPSUM DEPOSIT**--Yinchuan, 31 Jan--A large deposit of gypsum has been discovered recently in Tongxin County, Ningxia Hui Autonomous Region. The deposit belongs to the continental sedimentation of the cenozoic era. The seam is 50 to 100 meters thick and the area covers 10 square kilometers. Gypsum ore generally contains 60 to 80 percent dihydrate calcium sulphate. Since the ore deposit slopes gradually, part of it is suitable for strip mining. The known reserves of first-grade and second-grade gypsum are estimated at 1,000 million tons or more. [Text] [OW311505 Beijing XINHUA in English 0715 GMT 31 Jan 80 OW]

CSO: 4020

## LIGHT INDUSTRY

### PRODUCTION OF ELECTRONIC CONSUMER GOODS TO INCREASE

OW081310 Beijing XINHUA in English 1249 GMT 8 Feb 80 OW

[Text] Beijing, February 8 (XINHUA)--China is to boost production of TV sets, record players, radios and a number of other household items it was learned here today, at the close of a national conference of leading officials of the country's electronics industry. The conference accepted 1980 target figures set by the Fourth Ministry of Machine-Building in response to increased demand for consumer goods. The industry plans to produce 2 million TV sets this year (about 53 per cent more than last year), 640,000 cassette recorders (an increase of 390 per cent), 770,000 record players (82 per cent), and 425,000 pocket calculators (380 per cent).

The 14-d conference was called to map out this year's production plan for the electronic industry in line with China's economic readjustment policy. Plans showed a big increase this year in production of radio sets, video tape recorders, calculators, washing machines, refrigerators and other household appliances. In recent years, China has produced more and more electronic consumer products. Last year the industry turned out 1.31 million TV sets which was 2.5 times the 1978 figure and more than the total number produced in the previous two decades. China is also mass producing integrated circuit TV sets and has begun to produce colour sets. The industry produced 180 per cent more cassette recorders and 170 per cent more record players in 1979 than in 1978. More than 690,000 items of electronic hardware were produced for agriculture, forestry, industry, transport, education and medical service. Better management has led to an improvement in quality of television and radio sets. Outstanding are Shanghai's "Feiyue" and "Kaige" TV sets and Nanjing's "Xiongmao (Panda)" radio set.

CSO: 4020

## LIGHT INDUSTRY

### SHANGHAI INCREASES CAPITAL INVESTMENT IN LIGHT INDUSTRIES

OW100730 Beijing XINHUA in English 0700 GMT 10 Feb 80 OW

[Text] Shanghai, February 10 (XINHUA)--Shanghai, China's leading industrial city, is devoting 50 per cent more capital investment and bank loans to the light, textile and electronic industries and handicrafts this year than last. Factories producing such consumer goods as bicycles, sewing machines, watches, silk fabrics, cotton polyester, furniture, shoes and cassette tapes will be greatly helped. This is one of the steps taken in economic readjustment.

Capital investment in heavy industry, mainly power and building materials, will drop from 22 per cent of the total last year to 14 per cent in 1980. The exception is the Baoshan Iron and Steel Complex now under construction. It is financed directly by the Ministry of Metallurgical Industry. About one third of Shanghai's investment will go for housing, environmental protection and improvement of public utilities. Many enterprises have also decided to finance housing for their workers.

Thirty of the 96 projects to treat waste water from 67 factories along the Huangpu River were completed last year. The others are expected to go into operation this year. Better quality and new products are receiving attention. More consumer goods are planned for international markets as well as domestic consumption. Production of electronic and automatic calendar watches will treble.

The city's January industrial production was up by 15.5 per cent in terms of output value as compared with the same month last year. The light industry, textile and handicraft departments reported an increase of 23.3 per cent in gross output. The steel industry added more than 20 kinds of rolled steel for these industries and agricultural production.

CSO: 4020

## LIGHT INDUSTRY

### PRC ECONOMIC JOURNAL ON RESTORING SYSTEM OF YEAREND BONUSES

Beijing JINGJI GUANLI in Chinese No 11, 25 Nov 79 pp 42-43 HK

[Article by Xing Yichu [6717 6654 0443], Wang Guocheng [3769 0948 6134] and Liu Gang [0491 0474] of Shanghai Handicraft Industry Office: "A Proposal To Restore the System of Issuing Yearend Bonuses"]

[Text] The yearend labor bonus is a component part of the distribution of income for producers' cooperatives of handicraft industry. It is also a form of material reward for the labor results of their members. According to the stipulations of the Draft Regulations for Producers' Cooperatives of the Handicraft Industry, when there are profits in the yearend final accounts, producers' cooperatives should first pay income tax according to the rates stipulated by the state with no more than 15 percent of the remaining net profit to be used as their members' yearend labor bonuses.

The practice of the system of labor bonuses can help cooperative members concern themselves economically with the production and management of their cooperatives and continuously develop production. Labor bonuses are supplementary wages, and are not fixed. Those cooperatives with a better management and higher net profits, can give their members higher labor bonuses. Those with a poor management and smaller net profits or even suffering losses will have smaller bonuses or even none at all. Therefore, labor bonuses differ not only between one cooperative and another because of the different results of their management, but also within the same cooperative because of the different results of its management in different years. To carry out such a system of labor bonuses will closely combine the personal economic interest of cooperative members with the results of the management of their cooperatives and will be advantageous to carrying forward the good tradition in running cooperatives industriously and thriftily and to fostering among their members the spirit of being the masters of their own affairs. As a result, they would hold their cooperatives as dear as their own families, thus guaranteeing the smooth development of production.

To prevent the amounts of labor bonuses of some cooperative members from being too high, two mutually restricting regulations for bonus distribution were put forward in Shanghai in 1958. One is, according to the stipulation of the cooperative regulations, the proportion of labor bonuses cannot exceed 15 percent of the yearend net profit. The other is, the amount of bonus for each member cannot exceed that of his averaged monthly wages. From the



present point of view, these two mutual restricting rules for bonus distribution are workable but the proportion set is a bit rigid. Every department and enterprise should fix its own proportion for bonus distribution according to its actual conditions.

Due to the interference caused by the ultraleftist line of Lin Biao and the "gang of four," the system of issuing labor bonuses was stuck with the label of "paying exclusive attention to economy." In 1967 they gave order to stop the system and criticized it as capitalism and revisionism. They called it the "tail of capitalism." Because cooperative members held shares and received bonuses, they became "small bosses." This was an attack on the cooperatives under socialist collective ownership. This was also an utter slander against the broad masses of cooperative members.

There is a fundamental difference between the system of labor bonuses and the bonus sharing of joint business under capitalism. Bonus sharing in capitalist enterprises is based on the amount of capital held by their partners, while labor bonuses are a form of distribution according to work under the socialist collective ownership. It has nothing to do with the money paid for shares by cooperative members. Distribution is not conducted according to the shares held by their members. It is done in accordance with the quantity and quality of the labor of each member. It is absolutely the income from their labor. It has not the slightest degree of capitalist exploitation. How could cooperative members become "small bosses?" We must theoretically distinguish what is right and wrong on the question of labor bonuses and rehabilitate its reputation.

After the handicraft industry cooperatives ceased to practice the system of labor bonuses, the actual income of the broad masses of cooperative members was directly affected. In 1972, the department concerned of the State Council adopted the method of setting up and increasing extra wages as a proper remedy. In Shanghai, it was stipulated that extra wages for each person would be from 36 to 48 yuan per year to make up to a certain extent the actual income of cooperative members. However, there is a great difference between extra wages and labor bonuses. Extra wages are distributed equally to everybody without regard for the results of enterprise management and personal labor. This cannot encourage the laborers to concern themselves with the results of their enterprise management and proceed from their personal material interest. While labor bonuses are issued only when a cooperative earns net profit, a certain percentage of the net profit is taken and distributed to cooperative members as a labor bonus. It is directly linked with the results of a cooperative's management and personal labor. It helps an enterprise tap its potentialities, boost its production, enhance its productive efficiency and increase its profit.

Our practice has proved that running collective enterprise according to the method used in state-owned enterprises is not suitable for the collective enterprises. Collective enterprises should be run in accordance with their own characteristics. We, therefore, suggest that the system of labor bonuses for collective enterprises should be restored. The following are our main views on the subject.

1. The number of the existing producers' cooperatives of the handicraft industry is rather large. In 1977, there were 30,246 producers' cooperatives of the handicraft industry all over the country with a work force of 2.06 million and an annual output of 9.4 billion yuan. The system of yearend labor bonuses should be restored for these cooperatives as soon as possible in accordance with the stipulations of the Draft Regulations for the Producers' Cooperatives of the Handicraft Industry. The conditions are also more favorable now, because like state-owned enterprises, collective enterprises have transferred out separately according to the stipulations, the extra wages which were established and increased, and the enterprises distribute them by themselves. Following the method of the state-owned enterprises, the newly established reward which is taken from the total wages amount could be maintained for the time being, awaiting later reform together with state-owned enterprises. There was a restriction that the income of the staff members and workers of collective enterprises could not exceed that of state-owned ones. They were afraid that if cooperatives of the handicraft industry restored labor bonuses, their income would be higher than that of state-owned enterprises. Therefore, the system of labor bonuses could not be carried out. Such a restriction has now been lifted. Collective enterprises with good management are allowed to have an income higher than that of enterprises under the ownership by the whole people. In fact, those collective enterprises enjoying labor bonuses are usually enterprises with good management. Moreover, the average wages of the staff members and workers of collective enterprises are lower than those of enterprises under the ownership by the whole people. For example, the average wages of the staff members and workers of the state-owned enterprises in Shanghai are 60 yuan or so and those of collective enterprises are 42 to 50 yuan. Those of district neighborhood industries are only more than 30 yuan. Moreover, as the standards of extra wages and rewards vary, the wage differences between them and the staff members and workers of state-owned enterprises is even bigger. After cooperatives practice the system of yearend labor bonuses, with their average earnings equal to a month's wages, their average monthly increase is only 3-4 yuan. Such an increase is only equal to the difference between extra wages and rewards of the staff members and workers of state-owned enterprises. As for a small number of cooperatives, after the restoration of labor bonuses and because of their proper management, their average income is higher than that of the staff members and workers of some state-owned enterprises. This is also in conformity with the principle of distribution according to work and deserves recommendation.

2. The existing neighborhood factories and production groups usually process products for state-owned industrial enterprises or produce a part of small commodities for daily use. Their production level is very low. According to Shanghai's statistics for the first 6 months of this year, their output value was 1.6 billion yuan (an increase of 23 percent as compared with the same period last year) with a total staff and workers of 230,000. Their average annual labor productivity was less than 1,500 yuan. The existing practice of neighborhood committees taking centralized responsibility for the profits or losses of the neighborhood factories and production groups is not advantageous to bringing into play the initiative of enterprises and their staff and workers. It should be changed into the practice of

"independent accounting and assuming sole responsibility for their own profits and losses" by neighborhood factories and production groups which are to be managed according to the method of producers' cooperatives of the handicraft industry. In this way, the initiative of staff and workers can be brought into full play to promote the development of productivity and help to carry out the system of yearend labor bonuses.

3. The financial management of the existing cooperative factories under greater collective ownership which were put by trade under the management of companies (including those originally under district management) practice the system of unified revenue and expenditure. Their practice in wages, benefits and reward is the same as that of state-owned enterprises, namely, the management of collective enterprises is "transferred under the ownership by the whole people." For these greater collective enterprises, the present urgent requirement is to transform their practice of the system of unified revenue and expenditure into that of keeping a certain percentage of the profits and the next step is to let them assume sole responsibility for their own profits and losses. The question of rewards should be linked with the results of the management of enterprises and changed from the existing method of taking rewards from total wages into taking it from a percentage of profit kept by enterprises. On this basis, we can also practice the system of yearend labor bonuses in these greater collective enterprises.

In our opinion, yearend labor bonuses is a system of distribution which links personal economic interests with the results of enterprise management in a closer way. It helps staff members and workers better concern themselves with the results of enterprise management, heighten their supervision over the economic activities of enterprises and enhance their management level to increase their profits. Such a system of distribution can also serve as a reference for state-owned enterprises to reform their management and extend their independence.

CSO: 4006

## LIGHT INDUSTRY

### NEW CHEMICAL INDUSTRY REPORTED IN SICHUAN PROVINCE

OW201250 Beijing XINHUA in English 1218 GMT 20 Feb 80 OW

[Text] Chengdu, February 20 (XINHUA)--The 1,700-year-old city of Zigong, near Chongqing in Sichuan Province, known for its salt production, has now become a centre for the manufacture of chemicals.

Zigong is endowed with bittern resources which contain more than 20 elements and natural gas. In the past, the bittern was used only to produce salt, potassium chloride and boric acid.

Now Zigong has 14 chemical plants which use crude salt, bittern and natural gas as raw materials. They produce more than 40 products, including soda ash, caustic soda, chlorine, hydrochloric acid, barium chloride, iodine, bromine, carbon black, strontium carbonate and dichloromethane. Many products have been exported. Barium chloride produced by the Zhangjiabei chemical plant is exported to 38 countries and regions.

Honghe chemical plant formerly used a process to produce soda from crude salt which had a low utilization rate, with the result that the discharged liquid polluted farmland and rivers nearby. The implementation of a new process developed by a Chinese chemist, according to which the waste liquid is used to make ammonium chloride and produce soda ash, has resulted in a 50 percent cut in the cost of soda ash production.

Zigong has four chemical research institutes attached to chemical plants. A new chemical engineering institute was opened recently in the city.

CSO: 4020



## LIGHT INDUSTRY

### GUIZHOU TEXTILE MILL PRODUCES NEW BATIK PRODUCTS

OW290758 Beijing XINHUA in English 0732 GMT 29 Jan 80 OW

[Text] Guiyang, 29 Jan (XINHUA)--The Batik Printing and Dyeing Mill in Anshun, Guizhou Province, has successfully applied the wax printing technology to silk fabrics.

The wax printing or batik technology combines drawing on the fabric with molten wax and dyeing. Bees' wax is applied with a specially made copper knife according to the patterns printed on the fabrics. The cooled wax cracks and in dyeing the patterns attain a vein-like appearance.

The minority nationalities of Guizhou used this process as early as the Qin and Han dynasties (221 B.C.--220). The skill has been preserved in more than 20 of the province's counties.

In the past, there were only local batik printing shops using primitive equipment which turned out small pieces for national costumes. Operations were scattered and output low. Since the Anshun mill was set up here in 1973, workers have improved the technological process and developed multi-colour printing. New patterns as well as new products like wall hangings and scrolls are being manufactured.

The mill often sends designers and veteran workers to mountain villages to collect folk designs and motifs. About 200 new designs are put into production each year.

The mill's products are exported to a dozen countries and regions. Export value last year totalled 900,000 renminbi, 3.7 times that of the previous year.

CSO: 4020

## LIGHT INDUSTRY

### BRIEFS

HUBEI PREFECTURE CHEMICAL FERTILIZER--In 1979, the income of the 12 chemical fertilizer works in Huanggang Prefecture increased by 2 million yuan over 1978. These works had also conducted 170 successful technical innovations in 1979, managed the economy with economic method, rewarded those who overfulfilled their production and practiced economy and have mobilized the workers' activism. In 1 year, these 12 chemical fertilizer works had collected 7,000 pieces of discarded material, and recovered 100 tons of waste oil and 17,000 tons of coke and coal, amounting to a total of 70 million yuan. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 23 Jan 80 HK]

NITROGEN FERTILIZER PRODUCTION--Hangzhou, 29 Jan--China's small nitrogen fertilizer plants last year produced 7.31 million tons of synthetic ammonia, 11 percent more than in 1978. These plants account for 55 percent of the country's nitrogenous fertilizer output, and 45 percent of the total output of chemical fertilizer. Production costs were lowered and quality improved. These plants in the countryside sell their products locally. [Text] [OW290558 Beijing XINHUA in English 0251 GMT 29 Jan 80 OW]

CSO: 4006

## CAPITAL CONSTRUCTION

### OFFICIAL DISCUSSES EARTHQUAKE-PROOF CONSTRUCTION

OW110238 Beijing XINHUA in English 0224 GMT 11 Feb 80 OW

[Text] Beijing, February 11 (XINHUA)--China's 13 pilot plants and production lines for producing panels for steel-frame anti-earthquake structures should be producing three to four million square metres three years from now, predicts Song Yangchu, minister of building materials.

In another 10 years, centres will be set up in big and medium-sized cities to produce the panels and other new building materials to meet needs of town and country. Such centres are being created in Beijing, Shenyang, Harbin and Wuhan.

China began research on the panels in 1975. From 1976 to 1979, the minister noted, model apartment buildings with a total floor space of 270,000 square metres using such new materials were put up in 11 provinces, cities and autonomous regions. Suzhou in Jiangsu Province put up 63,000 square metres of apartment buildings in 1979, accounting for one-third of the 1979 housing construction.

But, the minister of building materials pointed out, China could not rapidly replace brick and tile construction with the new building materials. Therefore, efforts would be made to improve the size and weight of bricks and tiles.

At present, he continued, over 95 per cent of the walls of the housing starts used small bricks. This could not meet the needs for large-scale construction of apartment buildings.

China can now produce light panels that are absorbent and sound insulated and slabs like gypsum boards, aerated concrete slabs, asbestos boards, slag-wool boards and slag-wool roofing felt. They are two-thirds lighter than bricks and tiles. Most are prefabricated parts and appropriate for mechanization construction.

CSO: 4020

## CAPITAL CONSTRUCTION

### BRIEFS

**GUANGZHOU RESIDENTIAL HOUSING**--In 1979, 800,000 square meters of residential housing were under construction in Guangzhou Municipality with 468,000 square meters completed. The municipal CCP committee had personally grasped construction of residential housing and demanded that the municipal planning committee and the material departments give priority to the supply of construction material for the residential housing. At the same time, the municipal CCP committee had allocated 1 million yuan to the municipal construction bureau, the municipal housing management bureau and the various districts to help them obtain more machinery and equipment. [Guangzhou City Service in Cantonese 0430 GMT 22 Jan 80 HK]

**TIANJIN HOUSE CONSTRUCTION**--Beijing, 16 Jan--Tianjin will build new housing with a floor space of 2 million square meters for its urban dwellers in 1980, according to the January 13 issue of the TIANJIN DAILY. Quoting Wang Enhui, a municipal leader, the paper reported that housing with a floor space of 2 million square meters had already been put up in that city last year. Apart from the new housing, the city will add buildings of 1 million square meters of floor space for industrial and other purposes. The report said that the putting up of so much housing in addition to a large number of industrial projects in 1 year was unprecedented in the city's history. "It is only a good beginning," Wang Enhui was quoted as saying. "It can only solve part of the housing problem. The task ahead is still great." However, he said that the municipal government had decided to continue housing construction so as to solve the problem step by step. [OW160943 Beijing XINHUA in English 0152 GMT 16 Jan 80 OW]

**FUZHOU HOUSING FOR OVERSEAS CHINESE**--Fuzhou, 26 Jan (XINHUA)--Construction of 11,900 square metres of new housing for Overseas Chinese started here early this month. This is a joint venture run with investment from the Hong Kong Beacons Land Development Ltd. and building work undertaken by the Fuzhou branch of the Fujian Provincial Investment Company. Located near a public park, the new housing estate faces the Minjiang River. In the neighbourhood are schools, a hospital and shops. Four five-storey buildings, accounting for 65 per cent of the total floor space, will



belong to the Hong Kong firm and will be sold to Hong Kong and Macao compatriots and Overseas Chinese. Each apartment has two or three rooms and a hall, kitchen, toilet and balcony. The rest of the buildings will be turned over to the Fuzhou company. The whole project is to be completed within this year. A one per cent bonus will be given to the building company if it is finished one month in advance. The Fuzhou branch of the Chinese People's Insurance Company will insure the project against political risk. [Text] [OW261320 Beijing XINHUA in English 1248 GMT 26 Jan 80 OW]

CSO: 4006

## DOMESTIC TRADE

### SHANGHAI MARKET BUSY FOR SPRING FESTIVAL

OW110754 Beijing XINHUA in English 0732 GMT 11 Feb 80 OW

[Text] Shanghai, February 11 (XINHUA)--Shanghai residents are crowding a series of exhibition sales of food, light industry products, textiles, garments and handicrafts sponsored by local industrial and commercial departments for the coming spring festival, which falls on February 16.

In stock at the food shops selling special food are more than 500 varieties of candies, preserves and pastries of Suzhou, Guangzhou, Ningbo, Beijing and Yangzhou styles. A number of these were rarely found on the market in previous years.

The celebrated century-old Xinghualou Restaurant has prepared special counters serving dried chicken, ducks, meat and fish in the Guangdong style preferred by southerners.

A dozen famous cloth stores are selling printed cotton polyesters, mixed synthetic fabrics, poplins and other textiles in 200 new patterns, including floral designs. Designers and other workers have been sent to the shops by related mills to listen to the opinions of customers.

Garment factories, particularly those making children's clothes, have provided the market a wide variety of clothing in novel styles made with new materials. The children's clothing is available in sizes ranging from those appropriate to a new-born baby to those for 14-year-olds.

Among the festive offerings are about 100 varieties of red lanterns, palace lanterns and merry-go-rounds with some 30 decorative patterns. Crowds of children have been drawn to sales of new toys such as plastic telephones, animal head masks, miniature pianos and saving boxes.

According to wholesale departments of clothing, footwear, textiles, hardware, electrical appliances and sundries, the Shanghai market has 14 per cent more manufactured goods for the coming spring festival than the last. The supply of silks, knitting wool, wrist watches, television sets and sewing machines has increased by rates of from five to 41 per cent. Five times as many radio consoles and 2.3 times as many phonographs are on sale as in the same period of 1979.

The market also has more pork, poultry and eggs than last year. There is 50 per cent more maotai and other nationally famous wines and spirits. Shanghai favourites such as dates, walnuts, melon seeds and peanuts are also available in large quantities.

## DOMESTIC TRADE

### BRIEFS

CONSUMER GOODS STATISTICS--Beijing, February 18 (XINHUA)--One in every 280 Chinese people now have a television set as against one in 16,400 people ten years ago when T.V. sets were an exceptional luxury. According to statistics issued by the Ministry of Commerce, 1.42 million T.V. sets were sold last year, a nearly four-fold increase over 1978. The television set is one of the four major consumer items currently in growing demand in China. The other items are tape recorders, electric fans and washing machines. Four times as many tape recorders were sold last year as in 1978, the total being 300,000 in 1979. Sales of electric fans showed a 38.6 per cent increase. The old "four favourites," wrist-watches, sewing machines, bicycles and radio sets, are still in great demand. Now one in every ten persons possesses a wrist-watch, one in 11 a radio set, one in 25 a sewing machine, and one in 12 a bicycle. [Text] [Beijing XINHUA in English 1241 GMT 18 Feb 80 OW]

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## FOREIGN TRADE

### CHINA-JAPAN JOINT COALFIELD DEVELOPMENT AGREEMENT

Peking KYODO in English no time given 6 Feb 80

[Text] Peking, 6 Feb, KYODO--China has submitted a list of 12 promising coalfields estimated to produce 54 million tons annually which it wants to develop jointly with Japan through funds of the export-import Bank of Japan.

This was revealed Tuesday by Shoichi Moroguchi, director of the Japan-China Association on Economy and Trade.

The 12 coalfields include the strip mines in the Jungar sector of the Inner Mongolia autonomous region, whose deposits are estimated at 30 billion tons, and coalfields in Shandong Province.

A basic agreement on joint development of coalfields in China was reached when Prime Minister Masayoshi Ohira visited Peking last December.

The submission of the list of coalfields which China wants to develop jointly with Japan means that a step forward has been made in undertaking the project.

The list and the proposal for joint development were submitted to Moroguchi by Gao Yangwen, coal industry minister, when the two met Monday.

Moroguchi told the Chinese minister that the Natural Resources and Energy Agency was planning to send a mission to China around 20 March to make a study on the development plan.

The two agreed at the meeting to exchange experts' missions during this year to study joint coal liquefaction projects.

According to Moroguchi, Gao revealed at the meeting the coal deposits in China are estimated 5 trillion tons, of which 600 billion tons are recoverable.

The Chinese minister also revealed that China's coal output last year totaled 620 million tons of which 5 million tons were exported. He expressed willingness to supply to Japan types of coal in quantities desired by Japan.



## FOREIGN TRADE

### BRIEFS

**JAPAN COMPUTER AGREEMENT**--Tokyo, 5 Feb, KYODO--Japan's top personal computer maker, Sord Computer Systems, Inc., has reached a basic agreement with Tianjin municipal authorities for the assembly of such computers with components supplied from Japan on a commission basis, it was revealed Tuesday. Hiroaki Kaneko, general business manager of the Tokyo-based company, made the disclosure in an interview with KYODO news service. He said that initially, almost all computer components will be supplied by Sord Computer Systems for assembly at factories in Tianjin. The personal computers thus made in China would be exported to Japan, the United States and Europe, the Sord general manager said. Kaneko said that the local content rate would be gradually increased. He said the processing agreement would be formally signed about April between his company and the Tianjin municipal external economic liaison and second machinery bureaus. The executive said basic agreement was reached with the municipal authorities when Takayoshi Shiina, president of Sord Computer Systems, made a visit to China last month. Details of the processing agreement, including the scale of assembly, are being worked out through consultations between the Japanese company and the municipal authorities, he said. [Tokyo KYODO in English, no time given, 5 Feb 80]

**JAPANESE COMPUTERS ORDERED**--Tokyo, 31 Jan, KYODO--Hitachi, Ltd. says it received an order from China for eight digital control computers worth about yen 2 billion. Six of the computers worth about yen 1.5 billion are for the Peking Railway Bureau of the Ministry of Railway for use in traffic control system and traffic information service at Peking station. The remaining two computers are for the Peking dispatching center of the Ministry of Power Industry for use in on-line electric power security monitoring and statistical data processing. Hitachi will ship the computers ordered by the Ministry of Electric Power Industry in July and remaining six in December. Hitachi has received orders for more than 40 digital control computers worth about yen 7 billion from China since 1973, and orders are expected to top 50 units by the end of this year. [Tokyo KYODO in English, no time given, 31 Jan 80]

**REPAYMENT OF FOREIGN LOANS**--Osaka, 30 Jan, KYODO--China will set aside 20-25 percent of its annual export revenue for repayment of foreign loans, according to Chinese Foreign Trade Minister Li Qiang. Li made the remark when he

met with local business leaders in Osaka Tuesday. A review is under way on loan plans worked out by provincial organizations to find out whether repayments can be made, he said. The Chinese minister described oil as the most important energy source at present. China limits the use of oil only to sectors which yield the greatest value and promotes converting energy source from oil to coal, he said. Li, visiting Japan since 22 January, arrived in Osaka Saturday. He was scheduled to leave for home Wednesday evening. [Osaka KYODO in English, no time given, 30 Jan 80]

MORE TOURISTS EXPECTED--Beijing, February 11 (XINHUA)--A leading official in charge of China's tourism has called for improvement of facilities and service to accommodate more visitors expected this year. Lu Xuzhang, director general of the China General Administration for Travel and Tourism, makes this call in an article in today's WORKERS' DAILY. He urges industrial departments to provide more facilities for mountaineering, hunting, horse riding, skiing and skating, yachting and other attractions for tourists. More hotels and restaurants are needed, he says. Efforts should also be made to expand air, rail and other transport facilities and to provide more souvenirs sought by tourists, including objets d'art [as printed], films and slides. "We received more than 814,000 visitors in 1979, including foreign tourists, overseas Chinese and compatriots from Hong Kong, Macao and Taiwan," Lu Xuzhang writes. This figure was far too small for a country with countless scenic and historical sites and other tourist attractions, he says. [Text] [OW110736 Beijing XINHUA in English 0712 GMT 11 Feb 80 OW]

SHOE FAIR IN SHANGHAI--Shanghai, Feb 11--A specialty shoe fair, the first in China, closed here yesterday after a 6-day run. Among the 1,200 exhibits were traditional Chinese embroidered shoes and slippers, pearl slippers, light shoes, mountaineering shoes with ramie soles and infants shoes. Eighty percent are products new this year. The fair was sponsored by the China National Art and Craft Import and Export Corporation. Businessmen from Canada, France, Italy, Japan, Luxembourg and Hong Kong visited the fair and signed contracts with trade groups from Shanghai, Beijing, Tianjin, Fujian, Jiangsu, Hubei and Inner Mongolia. [Text] [Beijing XINHUA in English 0743 GMT 11 Feb 80 OW]

JIANGSU EXPORT TEXTILES--Jiangsu textile industrial departments have paid attention to the production of key export goods such as corduroy, khaki, printed calico, poplin and flannelette and expanded foreign trade. In 1979, the province earned \$410 million through textile exports, topping the 1978 amount by 42 percent. The figure amounted to 68 percent of the total foreign exchange earned by the province in exporting industrial and farm products. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 2 Feb 80 OW]

## TRANSPORTATION

### BRIEFS

RAILWAYMEN TOP JANUARY PLAN--Beijing, Feb 13--Chinese railwaymen surpassed their January transport plan despite bad weather, reports today's PEOPLE'S DAILY. China was hit in January by a cold wave rarely seen in the past dozen years. Temperatures in the areas under the Harbin and Qiqihar Railway Administrations dropped to 50 degrees below zero, centigrade. Wind, rain and snowstorms and fog created enormous difficulties for most railways, while passenger flow increased sharply because of the coming spring festival. The Taiyuan Railway Administration in Shanxi Province, one of China's major coal producers, set a monthly coal transport record for the past three decades. It exceeded the planned target by an average of 669 wagons every day. [Text] [Beijing XINHUA in English 0143 GMT 13 Feb 80 OW]

LIANYUN HARBOUR QUADRUPLES CAPACITY--Nanjing, 8 Feb--Lianyung harbour, one of China's major ports on the Yellow Sea, handled 6.8 million tons of cargo last year, three million tons above the original designed capacity. Since the original expansion began in 1973, four new 10,000-ton berths have been completed in addition to the reconstruction of another 10,000-ton and two 5,000-ton berths. Other finished projects are the dredging of navigation channels, rebuilding of railways and highways on the docks, and building new storage yards and six new storage sheds. A hospital with modern facilities and 250 beds is now under construction. Altogether 400,000 square meters of land have been leveled and paved by blasting off hill tops in the vicinity and pouring the sand and rocks into the sea. The coal wharf--completed in 1974--handled 3.8 million tons of cargo in 1979, more than double the designed capacity. A dry dock for foreign vessel repair and a communications building have been built at the port. [Beijing XINHUA in English 1211 GMT 8 Feb 80 OW]

JIANGSU PORT OPENS--With the approval of the state's departments concerned, Nanjing port was officially opened to foreign vessels on 1 Feb. The Nanjing branch of the China Foreign Shipping Company and the Nanjing branch of the Foreign Shipping Tally Company were opened the same day. [Text] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 1 Feb 80 OW]

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